

FINANCIAL TIMES

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World debt: a hint of optimism for the poorest, Page 4

Australia	£222	Indonesia	Rp2100	Pakistan	Rs200
Canada	\$1.00	Japan	¥100	S. Africa	R27.00
Denmark	Dkr100	South Korea	₩100	Spain	₧166.67
France	FFr100	Taiwan	NT\$100	Switzerland	Sfr100
Germany	DM100	USA	\$1.00		
Hong Kong	HK\$100				
Italy	Lira1000				
Netherlands	ƒ100				
New Zealand	\$NZ100				
Portugal	Escudo200				
South Africa	Rand100				
Sweden	Kr100				
Switzerland	Sfr100				
Taiwan	NT\$100				
UK	£1.00				
USA	\$1.00				



World News

Bush falls further behind in Iowa polls

US Vice-President George Bush is slipping further behind in the polls in Iowa where voters kick off the presidential nomination race in three weeks. Latest surveys show Mr Bush trailing the Senate Republican leader Robert Dole by up to 15 points in Iowa.

Peres seeks vote

Israeli Foreign Minister Shimon Peres said he would try again to force early elections on the issue of an international conference on the occupied West Bank and Gaza Strip. But Prime Minister Yitzhak Shamir immediately vetoed the proposal. Page 24

Soviet air crash kills 11

A Soviet Aeroflot airliner landing at Krasnodar, Soviet Turkmenia, missed the runway, overturned and broke in two, killing 11 people. The remaining 104 passengers escaped unhurt.

Aid for Palestinians

Kuwait said it would send food and medicine worth \$20 million to Palestinians in the occupied territories to help them continue anti-Israeli protests.

Gulf co-operation

An American warship offered the Soviet Navy details of a convoy operation in an apparent increase of co-operation between the superpowers in the Gulf.

Shevardnadze plea

Soviet Foreign Minister Eduard Shevardnadze urged talks in Bonn by urging the West to ease trade restrictions on advanced technology exports to the East bloc. Page 3

Cuban official defects

Cuba branded as a traitor Gustavo Peres Cortez, 53, vice-president of the state committee for material and technical supply, who defected to the West after a visit to Czechoslovakia.

Swedish strike warning

Swedish exporters warned they would have to start closing factories and laying off workers within a week if a strike by white-collar technical and clerical employees was not called off within days. Page 2

Colombo minister quits

Sri Lanka Finance Minister Ronnie De Mel, resigned after 10 years in office. Page 4

Philippines poll

More than 20m Filipinos voted in mostly peaceful local elections after seven weeks of campaign violence which left 95 candidates and party helpers dead. Page 4

Lockout illegal

Some 1,000 workers at the Sestao state-owned shipyard in northern Spain returned to work after a magistrate ruled that a management lockout was illegal.

Pop music graduates

Twenty Rotterdam music conservatory students graduated as the Netherlands' first pop music teachers.

Antarctic treaty talks

Representatives from 37 nations met in Wellington to refine a proposed agreement governing mining in Antarctica.

Soviet emigration up

Soviet emigration rose to about 25,000 last year compared with about 4,000 in 1986. The Foreign Ministry in Moscow said the majority of emigrants were ethnic Germans, Jews and Armenians who joined relatives abroad. Activists leave, Page 5

Athens tackles smog

French anti-pollution curbs aimed at tackling smog came into force in Athens, including a ban on private cars in the city centre, halving the number of taxis and introducing continuous working hours.

Business Summary

World Bank identifies two debt crises

WORLD Bank's latest annual assessment of developing country debt concludes that two separate debt crises have evolved, in sub-Saharan Africa and in Latin America. Page 4

Cocoa prices rise

COCOA prices rose between \$18 (\$38) and \$22 (\$48) a tonne in London after the International Cocoa Organisation agreed rules to reinstate its price support mechanism. The May position closed up \$21 (\$38) at \$1,182 (\$2,157) a tonne. Page 33

WALL STREET: Dow Jones

WALL STREET: The Dow Jones industrial average closed 7.79 up at 1,963.86. Page 44

LONDON: A 1.1 per cent

LONDON: A 1.1 per cent drop in UK retail sales last month disappointed the London equity market, where players were also taking a second, less enthusiastic, look at the US trade figures. The FTSE 100 index ended up 3.3 up at 1,790. Page 40

TOKYO: The unexpectedly

TOKYO: The unexpectedly low US trade deficit for November and the dollar's subsequent sharp rise encouraged buying in Tokyo. The Nikkei average finished 396.55 higher at 22,910.20. Page 44

DOLLAR closed in New York

DOLLAR closed in New York at DM1.8800, FFfr5.6655, Sfr1.4985, ¥129.60. It closed in London at \$1.7745 (\$1.818), DM2.9825 (DM2.9825), FFfr10.0650 (FFfr10.0625), Sfr2.4325 (Sfr2.4375), ¥230.75 (¥231.75). Page 33

STERLING closed in New York

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TAN Keon Suan, Malaysian

TAN Keon Suan, Malaysian businessman and politician, pleaded guilty to criminal breach of trust of 23m ringgit (\$9.2m) belonging to Multi-Purpose Holdings, Chinese investment group of which he was former managing director. Page 4

NIGERIA's controversial

NIGERIA's controversial plan to reschedule \$3.2bn in unpaid trade debts over 22 years has been approved by the required two-thirds majority of creditors. Page 24

AIRCRAFT manufacturers

AIRCRAFT manufacturers British Aerospace, de Havilland of Canada, part of Boeing of the US, and the Franco-Italian ATR42 have been shortlisted by the Indian Government for an order worth more than \$545m. Page 4

FRANCE has won Ffr1.5bn

FRANCE has won Ffr1.5bn (\$272m) worth of new orders from China for nuclear equipment at the Daya Bay nuclear power plant and for additional digital telephone exchanges and telecommunications cables. Page 6

MIDLAND Bank, big British

MIDLAND Bank, big British clearer, is to pull out of the UK institutional equity business with the loss of 200 jobs in the UK and 40 in Hong Kong. Page 26, Background, Page 3, Last, Page 24

STERLING Drug, New York

STERLING Drug, New York drugs group, rejected the offer of \$4.1bn or \$72 a share from F. Hoffmann-La Roche of Switzerland as "grossly inadequate". Page 25

BENEDICTINE, French liqueur

BENEDICTINE, French liqueur distiller with a stock market value of about Ffr864m (\$152m), has rejected a takeover move by Beny Martin, the cognac house. Page 26

Argentine uprising ends as rebel colonel surrenders

BY ROBERT GRAHAM, LATIN AMERICA CORRESPONDENT, AND TIM COONE IN BUENOS AIRES

THE SECOND military rebellion in Argentina in nine months ended last night with the surrender of ex-Colonel Aldo Rico, the rebel leader. The former marine commando surrendered to troops loyal to President Raul Alfonsín after sporadic fighting in the garrison town of Monte Caseros, 380km (235 miles) northeast of the capital and close to the Brazilian-Uruguayan border.

Col Rico, also the ring-leader of a more widespread army rebellion last Easter, had earlier rejected a demand for an unconditional surrender and defied some 2,000 troops under General Dante Caridi, Army Chief of Staff.

The Army's determination to use force to crush the rebellion last night appeared to have been decisive. Some casualties were reported in a clash at a village near Monte Caseros, but the extent to which Col Rico and some 100 of his supporters put up resistance was still unclear last night.

It is the first time that the Argentine military have fought each other since 1962 when there was a shoot-out provoked by inter-service rivalries under the civilian presidency of Mr Arturo Frondizi.

Gen Dante Caridi, Army Chief of Staff, took personal charge of yesterday's operations, underlining the determination of the armed forces to stamp out insubordination.

Ex-Col Rico, 43, led the rebellion last Easter of middle ranking officers who protested against human rights trials and the structure of the armed forces' senior command. The big difference between this revolt and that of Easter is the diminished support for the rebels and the willingness of the army command to use force.

The fighting in the north occurred while other isolated incidents of support for the rebels broke out in at least four places - Tucuman, Neuquen, Rio Turbio and San Luis. All the latter groups had surrendered last night, according to Army reports.

There was also a four-hour take-over early yesterday of

the control tower of Buenos Aires' civil airport by some 30 army and air force personnel. Armed police units were used to regain control of the airport but no fighting was reported.

The ex-colonel escaped from house arrest on Friday in the capital. He then fled north to Monte Caseros, where he took over the town, mined the approaches, and challenged the Government to deal with him. He also demanded the removal of Gen Caridi and recognition of the role played by the armed forces in the "dirty war" against the left from 1976-82.

Significantly only the Army was used to suppress the revolt, and within Argentina this was seen as a matter of

to be dealt with by the Army.

At one stage it seemed President Alfonsín would be forced to declare a state of siege; but this idea was dropped when it became clear the military chain of command was remaining loyal and willing to engage rebel troops. Nonetheless President Alfonsín cancelled a scheduled visit to Sweden, due to begin today.

Buenos Aires remained calm in the middle of its summer holiday season and no mass civil demonstrations were called. This was in marked contrast to the rebellion of last Easter when the President in person called for public backing and

Continued on Page 24

De Benedetti seeking control of Société Générale de Belgique

BY TIM DICKSON IN BRUSSELS AND PAUL BETTS IN PARIS

MR Carlo De Benedetti, the Italian businessman who is in the process of building a European industrial and financial services empire, yesterday launched an audacious bid to take effective control of Société Générale de Belgique, Belgium's largest commercial and industrial holding company.

The announcement that Mr De Benedetti's French-based holding company Cerus directly and indirectly speaks for 18.5 per cent of the shares, plus he declared intention to launch an offer for a further substantial part of the group, stunned the Belgian business community.

It prompted a firm rejection from Société Générale and the announcement of an immediate defence operation under which 16m shares will be issued and placed in friendly hands.

Mr De Benedetti's announcement also opened the door of speculation over the identity of a mystery buyer of shares in Société Générale, which is one of the oldest companies in Belgium and has stakes in more than 1,200 companies at home and abroad.

Shares were yesterday suspended on the Brussels stock exchange at Friday's closing price of Ffr3,250, putting a value on the group of about Ffr20bn.

Mr De Benedetti said the move was part of an ambitious plan to create Europe's first major holding company well ahead of the unified European market of 1992. It emerged last night that Mr De Benedetti will have talks this morning with Mr Mark Eyskens, Belgium's Finance Minister and Mr Philippe Maystadt, the Economics Minister.

the independence of Société Générale and to keep its decision-making base in Belgium."

He added that the board considered that if Mr De Benedetti took control "it would be in the interests neither of the shareholders of the holding company nor of the companies which form part of the group."

Société Générale was created more than 165 years ago and exercised control over a wide range of Belgian business activities, largely through minority stakes. These activities include banking and financial services, engineering, cement making, mining, non-ferrous metals and general trading.

In recent years the company has tried to reorganise its giant portfolio into 10 clear business sectors, as well as concentrating its investment on growth areas such as financial services and telecommunications.

Mr De Benedetti paid between Ffr1.7bn and Ffr1.5bn (\$307m to \$267m) for a 18.5 per cent stake in Société Générale. He also confirmed in Paris yesterday that Cerus would launch a public share offer to finance the purchase of more Société Générale shares, bringing his total up to 33.6 per cent.

The bid approach and Société Générale's rapid defensive action has raised more dramatically than ever the sensitive question of foreign takeovers of Belgian companies. The issue has been highlighted recently by the French bid for Belgium's second largest insurer Royale Belge, and by the struggle for control of the third largest company in the sector, Grand design, Page 22



Mr Carlo De Benedetti

It was unclear yesterday how many shares Mr De Benedetti was likely to be seeking, but at a press conference in Brussels, Mr Rene Lamy, governor of the board of Société Générale, said he had been told the offer would be for a further 16 per cent.

This would give Mr De Benedetti a blocking minority on board decisions and a major say in the running of the group's affairs.

The recent speculation over a possible bid for the company has inspired record trading volume in its shares. It has pushed the price up by more than one-third over the past few weeks at a time when the Belgian stock market has been largely static.

Mr Lamy, who was informed by Mr De Benedetti of his intentions at a meeting in Brussels over the weekend, said the issue of new authorised capital was designed "to maintain the

Soviet Minister attacks Cocom

By David Marsh in Bonn

SOVIET FOREIGN Minister Mr Eduard Shevardnadze yesterday fiercely criticised Western controls on flows of technology to the East bloc and claimed they had held up 20 large Soviet projects in the past.

In a speech to West German industrialists in Bonn on the first full day of a visit there, Mr Shevardnadze referred to the range of embargoed goods drawn up by the Paris-based Cocom body as "this cursed list."

Mr Shevardnadze's unusually sharp criticism of Cocom comes in the wake of a diplomatic offensive by the Bonn Government to persuade the US to soften export restrictions.

The Soviet Foreign Minister also held political talks yesterday with Mr Hans-Dietrich Genscher, the Foreign Minister, and President Richard von Weizsäcker. The Bonn Foreign Ministry said both sides underlined the need to overcome political divisions in Europe and to expand economic relations.

Mr Shevardnadze, speaking to industrialists at the headquarters of the West German Association of Chambers of Commerce, said that 30 major joint industrial projects were under discussion.

Mr Otto Wolff von Amerongen, association president, also spoke in favour of liberalising technology transfer rules and said that contracts had been held up in the past by Cocom restrictions.

However, Mr Wolff, a well-known East bloc trading expert, said he could not confirm the Foreign Minister's claim that 30 projects were being discussed.

Mr Shevardnadze put forward as possible examples of future co-operation satellite launches and computers.

Paris to resume privatisation with Matra sale

BY GEORGE GRAHAM IN PARIS

FRANCE will restart its privatisation programme, suspended in October following the collapse of the French stock market, with the sale of its shareholding in Matra, the armaments and electronics group, on Wednesday.

Mr Edouard Balladur, the French Finance Minister, will announce today the price at which Matra will be offered, as well as the list of friendly shareholders chosen to make up its "hard core."

The decision to go ahead with the privatisation was taken after the publication on Friday of an unexpectedly low US November trade deficit had sparked a rise in financial markets around the world. The Paris stock market rose by 3 per cent on Friday in response to the news.

Ministry officials said that as well as taking advantage of the solidity of current French economic statistics and an apparent improvement in the world trade imbalances, Mr Balladur wanted to allow Matra to continue forming alliances with other European groups.

Mr Jean-Luc Lagardere, Matra's chairman, said yesterday that he had reached agreement with three groups - GEC of the UK, Daimler-Benz in West Germany and the Wallenberg group in Sweden, which controls the Ericsson electronics company.

All three, along with Mr Lagardere's personal holding company, are candidates for the 22 per cent of Matra's capital which will be allotted to the "hard core."

He said that the GEC, Daimler-Benz and Wallenberg applications would probably be scaled down since the three had

Hanoi seeks IMF loan amid signs of Kampuchea initiative

BY PETER UNGPHAKORN IN BANGKOK

VIETNAM is seeking help from the International Monetary Fund in an effort to break out of its international economic isolation and restore its war-shattered economy.

Mr Nguyen Xuan Oanh, an economic adviser to the Hanoi Government, said yesterday that Vietnam would borrow "a sizeable amount" from the IMF's Structural Adjustment Fund.

Vietnam is one of five countries to have been declared ineligible for new credit by the IMF after building up payments arrears. It was unclear yesterday whether steps had been taken to remove this barrier to new lending.

The move came as a senior US State Department official said there were "signs of movement" toward a political settlement of the war in Kampuchea where Vietnam has up to 140,000 troops. Vietnam's invasion of Kampuchea in 1978 has been a prime reason for its continued international isolation.

Mr Gaston Sigur, US Assistant Secretary of State for East Asian and Pacific Affairs, said in Bangkok yesterday that "perhaps the Vietnamese themselves are tired of the situation" and that Moscow, Hanoi's chief ally, was also getting tired of the situation.

The Soviet Union underwrites the cost of the war in Kampuchea which is both an impediment to better relations in south-east Asia and a growing embarrassment to Moscow.

Mr Sigur told a news conference it was hoped that a second round of talks between Prince Norodom Sihanouk, the Kampuchean resistance leader, and Hun Sen, Prime Minister of the regime in Phnom Penh, would lead toward "a free and independent nation." The two are scheduled to meet in Paris on Wednesday.

Mr Oanh, who was speaking to journalists in what may be the first of a series of briefings outside Vietnam since a liberal new investment code was passed at the new year, said Hanoi also wanted help from the IMF to simplify its multiple exchange rates and to curb inflation as part of economic reforms that include a drive to attract foreign investment.

A single or dual exchange system could be introduced in two months' time, he said.

Economic reform has been discussed publicly for several

months, particularly since the new leadership over in Hanoi just over a year ago. Rampant inflation, unemployment and the burden of keeping more than 100,000 troops in neighbouring Kampuchea are among the most serious problems.

Now the investment code has been promulgated, efforts are being made outside Vietnam to attract foreign capital. Mr Oanh is due to visit Australia, Singapore, Japan, Taiwan and the US in the next few weeks. These efforts have been coupled with growing hints by the leadership in Hanoi that Vietnam would soon pull out of Kampuchea.

In its efforts to attract investment, Vietnam has to compete with its more successful capitalist neighbours. The US maintains an embargo, although a growing number of non-communist countries have business interests in Vietnam.

"I think this marks a turning point in our restructuring," Mr Oanh said of the latest developments.

As an indication of foreign interest in Vietnam, Mr Oanh said agreement had virtually been reached with Intel, the

Continued on Page 24



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Cityclass completes the picture for Air France, as we're now the only airline to operate out of all four London airports.

AIR FRANCE

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EUROPEAN NEWS

W GERMAN OPPOSITION BACKS DOWN ON NUCLEAR SMUGGLING CLAIM

Metals group takes over control of Nukem

BY DAVID MARSH IN BONN

BERGHEIM, the West German uranium and chemical company, yesterday decided to take over provisional management control of Nukem, the scandal-ridden nuclear concern which had its operating licence withdrawn by the Government last week.

Degeuss, which owns 35 per cent of Nukem, came as the Opposition Social Democratic Party (SPD) backed away from allegations that Nukem and its subsidiary Transnuklear had been involved in smuggling of fissile material to Pakistan and Libya.

The allegations, made public on Thursday, have caused considerable political confusion in Bonn. Yesterday, Mr Volker Hauff, the senior SPD deputy and former Technology Minister, withdrew his earlier statement that he had proof that the Hanau-based Nukem and Transnuklear companies had violated the

Non-Proliferation Treaty. The state prosecutors' office at Hanau, which is investigating the allegations, had earlier asked Mr Hauff to back up his statement.

The Bonn Environment Ministry inescapably said no new information had come to light over the fissile material smuggling allegations. However, government authorities and crime officials are still investigating an alleged corruption which has led to irregular shipment of more than 2,000 falsely labelled drums of nuclear waste between West Germany and Belgium.

IAEA confirms monitoring allegation by magazine

BY JUDY DEMPSEY IN VIENNA

THE international atomic energy agency (IAEA) confirmed yesterday that the "facts were right but the conclusions were wrong" in Der Spiegel, the West German magazine which alleged that the IAEA is unable to fulfill the task of monitoring nuclear energy facilities satisfactorily.

missing from the organisation's monitoring books. "I would not deny the facts," Mr Jennekens, deputy director of the Department for Safeguarding Activities in the IAEA said at a news conference in Vienna.

West Germany, had been involved in delivering plutonium or enriched uranium to Pakistan or Libya. The IAEA received a request from the West German government at the weekend for all relevant information regarding the alleged transport of fissile material which is currently under investigation by the public prosecutor in Hanau.

Safety inspectors to visit Belgium plant

BY WILLIAM DAWKINS IN BRUSSELS

NUCLEAR safety inspectors will today visit a Belgian nuclear waste treatment plant involved in a row over the handling of radioactive waste as part of inquiries into whether to launch European Community controls on the transport of nuclear waste.

Atomic Energy Agency (IAEA) over further allegations that it had had been connected in delivering nuclear materials to Pakistan or Libya. Commission officials yesterday emphasised that their investigation would be no more than a "fact-finding mission". Brussels environment authorities are to meet national experts from the 12 member states on February 11.

UN official to hold new Afghan talks

BY CHARLES HOODSON IN MOSCOW

MR DIEGO CORDOVA, the UN mediator for Afghanistan, is to begin a new round of consultations with Kabul and Islamabad this week.

The talks fall ahead of the scheduled resumption of UN-sponsored peace negotiations between the two sides in Geneva in mid-February. The official Soviet news agency Tass said the exact date for the resumption of the Geneva talks would be agreed during Mr Cordova's visit, but gave no further details.

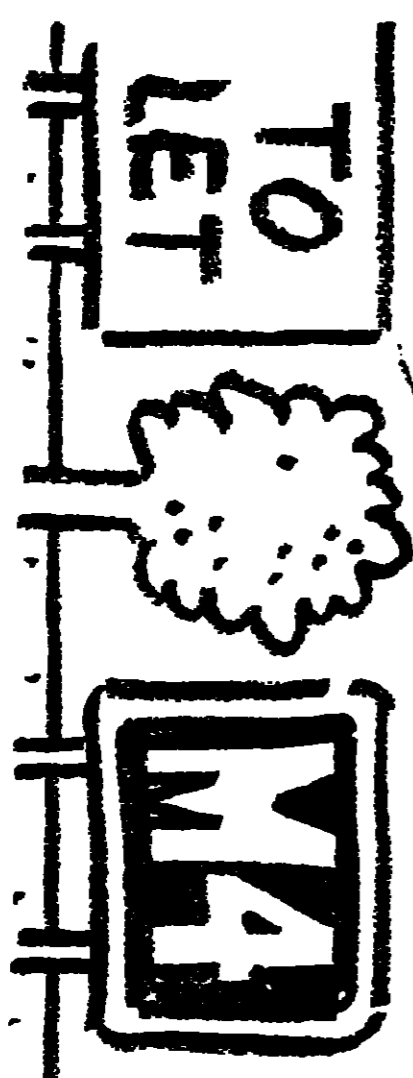
There is speculation in Moscow that Mr Yuli Vorontsov, the Soviet deputy Foreign Minister, will visit Islamabad before the re-opening of peace talks.

It is also thought he could meet Mr Michael Armacost, US Under-Secretary of State for Political Affairs, who held talks in the Pakistani capital earlier this month.

Mr Cordova is expected to spend about 10 days shuttling between Kabul and Islamabad. His visit, which follows talks with Soviet officials in Moscow last month, comes amid increasingly optimistic signals from both Moscow and Kabul that the next round of Geneva negotiations could lead to a peaceful settlement and the eventual withdrawal of Soviet troops from Afghanistan.

Last week, the communist party newspaper Pravda said Soviet troops could start leaving the country on May 1, if Afghanistan and Pakistan signed an agreement by early March.

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Current attractions of Gwent.

EC to give go-ahead for car exhaust controls

PLANS to clean up toxic exhaust emissions from small cars are expected to be formally adopted on Wednesday by the European Community's executive commission, EC sources said yesterday, Reuter reports from Brussels.

have to fit this to large models with engines of over two litres. Once adopted by the commission, the standards for small cars will go for approval by ministers of the member states. They will not come into effect at least until 1991, the sources said.

Red Cross food relief continues in Ethiopia

THE INTERNATIONAL Red Cross said yesterday that it had distributed food to 320,000 hungry people in northern Ethiopia since November despite its worries about the safety of relief convoys.

Soviet Union to create job replacement centres

SOVIET authorities have ordered the establishment of job placement centres across the country to help workers expected to be laid off as a result of the Kremlin's economic reforms, the official newsagency Tass said yesterday, Reuter reports from Moscow.

Under Soviet leader Mikhail Gorbachev's drive for economic efficiency, 60 per cent of the country's industries are to become "self-financing" this year, making them responsible for the cost of their operations.

Claes to spell out ideas on new Belgian coalition

BY WILLIAM DAWKINS IN BRUSSELS

MR WILLY CLAES, the former Belgian Economics Minister charged by King Baudouin to form a government coalition, will today outline to Christian, Democrat and Socialist leaders proposals to end the country's political turmoil.

produced a swing to the right-wing Liberals in Flanders in the north, while leaving the Socialists with a majority in Wallonia in the south.

He has been struggling since the New Year with little success, to hammer out a government programme and to assemble an administration to execute it. King Baudouin selected him after a general election last month plunged Belgium into political confusion. It

Mr Claes, a senior member of the Flemish-speaking Christian Socialists, said yesterday that his private talks with all party leaders during "a great number of meetings" had shown there was no chance of continuing the former coalition of middle-of-the-road Christian Democrats and right-wing Liberals. Nor was there any possibility of a three-party coalition including the Socialists.

Italy set to give up EMS flexibility if UK joins

BY JOHN WYLES IN ROME

ITALY WOULD be prepared to give up the lira's larger freedom to fluctuate if the British pound were to become a full member of the European Monetary System, Mr Giuliano Amato, the Italian Treasury Minister, said yesterday.

response in Germany. Whereas all other currencies within the EMS are allowed to fluctuate by 2.5 per cent either side of their central rate against the European Currency Unit, the lira has been allowed a wider 6 per cent margin since the EMS was created in 1979.

Mr Amato's statement to a banking conference in Milan is a clear signal of Italian readiness to participate in moves to strengthen the EMS. He said that Italy fully supported recent French proposals to create a European central bank, which have met a hostile

The subsequent fall in domestic inflation much closer to the EEC average and the general strengthening of the Italian economy has since brought some pressure from other EMS members for the lira to be subject to the same rules.

Swedish strike prompts warning of lay-offs

BY SARA WEBB IN STOCKHOLM

SWEDEN'S leading export companies warned yesterday that they would have to start closing factories and laying off workers within a week if a strike by white-collar technical and clerical employees was not called off in the next few days.

warning that wage increases must be kept down this year, the spring wage negotiations have started on an acrimonious note.

The Swedish Union of Clerical and Technical Employees in Industry (SIF) called 50,000 members out on strike yesterday after the breakdown in talks between the union and the employers' organisation (VF) at the weekend.

The Industrial Employers' Organisation offered SIF an increase of 0.9 per cent which with compensation for inflation would mean an increase of about 4 per cent.

The strike involves employees in leading export-oriented companies such as Volvo, the car manufacturer, Ericsson, the telecommunications and electronics concern, Saab-Scania, the automotive and aerospace group, Assa Brown Boveri, the electrical engineering group, Alfa-Laval, dairy equipment and process engineering company, Electrolux, the white goods manufacturer, and SKF, the roller-bearing group.

With their dependences on new technology for stock control and planning, the big industrial companies are particularly vulnerable to strike action by computer and administrative staff.

THE QUEST FOR THE WORLD'S FASTEST RED HERRING

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Nato chief backs missile upgrading

NATO's commander in Europe, Gen John Galvin, says he favours the Western alliance quadrupling the striking range of its battlefield nuclear missiles under plans to modernise its nuclear stockpile.

"I would like to see a modernisation which would provide... a longer-range surface-to-surface missile which would perhaps get out to 450km," Gen Galvin said yesterday on West German radio. Heater reports from Bonn said that the modernisation will come along some time in the future, he said.

Gen Galvin said such modernisation would not circumvent the US-Soviet Intermediate-Range Nuclear Forces (INF) treaty which will eliminate ground-launched missiles with ranges between 500 and 5,500km.

Nato has 89 US-made Lance short-range missiles which can travel about 100km and which in a war could be used against massed tank formations.

"I hope that kind of modernisation will come along some time in the future," he said.

The issue is a particularly delicate one in West Germany which has a big anti-nuclear lobby and where the Bonn government, unlike its allies, wants early talks to reduce short-range missiles.

As Nato's front-line state, West Germany is the logical country for short-range missiles to be stationed. "I believe that we should continue the modernisation," Gen Galvin said.

"If we confuse the question of modernisation with the circumvention or somehow trying to substitute for the treaty, I think that would be bad."

On future arms control, Gen Galvin said Nato should try to achieve conventional arms reductions in negotiations with the Warsaw Pact. "We need to know what is going on on the conventional side, that's the side where the real danger is right now and we should move to that," Gen Galvin said.

Leslie Colitt and David Marsh on the East Germans who cross the border and never come back

Familiarity with West breeds enthusiasm for escape

EAST GERMAN Protestant churchmen say the opening of the borders with West Germany for travel by ordinary East Germans appears to have led to a sharp rise in the number of citizens who fail to return home. The number of refugees rose last year to the highest since 1973.

The trend is said to have been an indication of a "shock" to the East German leadership. It had hoped that by granting more visiting permits to citizens they would be satisfied to remain in East Germany.

Official West German figures show that in 1987, East German visits rose to 6,252 from 4,660 in 1986 and 3,494 in 1985. Only a relatively small number - 288 last year - against 210 in 1986 - fled to the West across the Berlin wall to the fortified East-West German border.

The majority made their way to the Federal Republic of West Berlin by staying on after an authorised visit, or by entering via a third country.

The churches on the other side of the frontier, however, say that high-ranking party officials recently told them that the East German prisoner remained in West Germany last year after making an estimated 6m visits.

Most alarming, the party figures indicated that the trend of visitors to the West rose steeply in the last four months of 1987. They showed that at the beginning of last year less than 0.2 per cent of the East

German allowed out to the West remained there. By December, however, the number had swelled to 1.5 per cent.

Some East Berliners allowed 1.5m temporary visits to West Germany by East Germans under pensionable age last year. This was double the figure of 573,000 in 1986, and nearly 20 times the 66,000 trips by younger East Germans in 1985.

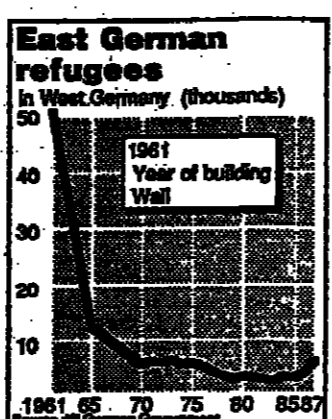
But the total number of people leaving East for West Germany by all methods fell last year - to just under 19,000 from slightly more than 26,000 in 1986 owing to a more restrictive East German attitude on granting permission for permanent emigration.

Additionally there was a fall in the number of East Germans given sentences for political or other offences and subsequently "bought free" by West Germany.

Numbers traded under this shadowy "cash for prisoners" arrangement, which totalled around 2,000 in 1986, are believed to have been around 1,000 in 1987. These include some East Germans freed under the East German prisoner amnesty at the end of 1987.

East German authorities were said to be especially disturbed by the large number of doctors who refused to return after visiting the West, the result of their refusal to accept applications from doctors to emigrate legally to the West.

Dissatisfaction among doctors



and other professional people in East Germany is heightened by the enormous gap in salaries between East and West Germany.

The escapes figure underline the longer-term risks run by the East Berlin leadership in its policy of allowing far more East Germans to make temporary visits to West Germany (despite dampening the risk that short-term travellers could abscond by preventing families or married couples from visiting together).

Western officials believe the increase in temporary travel may, in the short term, reduce about restrictions. But in the longer term, some observers in the Federal Republic say, the new policy of more openness could be counter-productive by

increasing frustrations about life in East Germany.

The churchmen say the party might have divulged the embarrassing figures to justify possible future restrictions on visits to West Germany.

But they note that the leadership might equally want to demonstrate to West Germany the enormous problems it faces in living up to its understanding with Bonn on liberalising travel for East Germans.

East German officials have argued that allowing East Germans to see the West at first hand, including not only its wealth but also its problems of unemployment, is designed to tone down the exaggeratedly positive image many East Germans have about the Federal Republic.

They had apparently believed that growing exposure to negative aspects of Western life such as drugs, crime and superficial values would have a negative effect. But instead, East German travellers returned home with glowing reports about a land of milk and honey.

The stagnation in East German living standards in recent years has undoubtedly played a role in the growing frustration with life in a highly-planned and regimented society.

A West German diplomat in East Berlin noted that in the 1970s it was widely believed in the West that a "national" East German consciousness had taken hold among citizens during the decades of separation

from West Germany.

"We were wrong," he said. Instead, growing contacts with Western visitors to East Germany caused East Germans to become increasingly critical of their own society.

The liberalisation of travel has also caused an increase in applications from returning East Germans who want to leave permanently for West Germany with their families but they have been met with more restrictive treatment.

Some officials believe that, as a result of the new liberalisation of short-term travel, emigration requests may increase rather than fall as East Germany has been hoping.

An East German woman whose 21-year-old son is planning to apply for permission to visit relatives in West Germany said the authorities should "forbid" visits to the West for young people.

"Either they fail to come back or they return so starry-eyed that they are unable to function here anymore," she said. Paradoxically such views are widely held by East Germans who are afraid of losing their children to the West.

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Activist leaves Moscow for Israel

JEWISH activist Mr Josef Begun flew from Moscow yesterday to join "three million sisters and brothers in Israel" after winning a 17-year battle to emigrate that included a prison spell and Siberian exile, AP reports from Moscow.

"Now that I'm going, I feel even more the wishes and dreams of those I leave behind, and who want to live as Jews," Mr Begun, 55, said before take-off at Moscow. Well-wishers crowded around Mr Begun, and his wife Inna.

"We will not forget those we are leaving," Mr Begun said. "That's the most important thing - not to forget."

Mr and Mrs Begun, Inna's mother Dvora Lazara and Mr Begun's son Boris, with his wife and their two children, left for Bucharest. They will leave for Israel today from Romania, the only Soviet bloc nation to have diplomatic ties with the Jewish state.

Mr Begun taught Hebrew and Jewish culture in Moscow, and was in the forefront of the effort for Jewish emigration to Israel.

In 1983, he was sentenced to seven years in prison for anti-Soviet agitation and propaganda and served more than three years of his term in Chis-topol prison in the Ural mountains.

CIVIL RIGHTS MARCHERS HELD

THE East German authorities have taken into custody nearly 30 members of independent civil rights and peace groups in East Berlin who took part in an official rally on Sunday commemorating the murder in 1919 of the German Communist leader, Rosa Luxemburg and Karl Liebknecht, writes Leslie Colitt in Berlin.

Fifty civil rights supporters mingled with the crowd and tried to unfurl banners including one quoting Rosa Luxemburg: "Freedom is always only the freedom of the dissenter."

Several civil rights activists were prevented from leaving their homes for the rally.

One of those detained was

Mr Stephan Krawczuk, a folk singer forbidden to perform in public because of his political views.

The detentions follow a climbdown last month by the authorities after a raid on a Protestant church rectory. Seven people found printing an unofficial environment bulletin were arrested but later released after unusually strong pressure from the Church. It was seen as a victory for the growing East German human rights movement.

But a church conference last week in East Berlin criticised churchmen and groups supported by the church for using the Western media to "force" state agencies to negotiate with them.

Spanish GDP up by 4.5%

SPAIN'S gross domestic product grew by an estimated 4.5 per cent last year compared with 3.5 per cent in 1986, according to the Bank of Spain's latest monthly report. Renter reports from Madrid. The estimate is based on the first three quarters of 1987.

Gross capital formation rose by an estimated 14.3 per cent, the same as in 1986, while domestic demand was up by an estimated 7.3 per cent (6.3 per cent).

All indicators confirm the vigour of national demand, based on high growth of public and private demand and the extraordinary increase in investment formation, the report said.

Nominal salaries rose by an estimated 7.5 per cent during the year, against 6.3 per cent in 1986.

The number of registered unemployed, which last month rose above 2m for the first time, was not falling because the active population was increasing as fast as job creation.

Investment in capital goods showed "extraordinary dynamism," the report said. Imports of capital goods rose by more than 40 per cent in the first three quarters of 1987.

Do seat belts restrict your thinking?



Somehow you can't quite imagine Albert Einstein mulling over a mind-bogglingly brilliant concept strapped into a plane with a pre-packed lunch on a plastic tray.

Or Wolfgang Amadeus Mozart composing his Horn Concerto in E flat in a car in a contraflow.

Can you picture a tycoon planning his next take-over whilst overtaking in the rain?

Some forms of transport, it seems, are just not conducive to constructive thought.

Consider an alternative. Consider InterCity.

First Class passengers sit relaxed watching Britain whizz past at up to 125 miles per hour.

They order food and drink from attentive waiters.

Briefcases snap open. Reports, previously rendered incomprehensible by jangling office phones, suddenly make sense.

Someone scribbles figures on a scrap of paper, devising a budget with tax at 20 pence in the pound. (We should be so lucky.)

Someone else attempts to recall Arnold Palmer's 18 best golf holes in the world.

Crosswords are cracked, often in record time.

A brilliant response to Karpov's latest opening gambit comes like a bolt from the blue.

People catch up on their reading, go for a stroll or formulate strategies. They arrive feeling fresh, relaxed, more alert.

Their minds have been stimulated, sometimes by doing nothing.

Makes you think, doesn't it?

INTERCITY

Pontiff works his magic on the press

A FORMAL visit by Pope John Paul II to the Foreign Press Association in Rome on Sunday evening became the occasion for an unprecedented news conference touching on the possibility of a papal visit to the Soviet Union and events in Israel occupied territories.

Demonstrating that they were no less immune to the Pope's charisma than the millions of the faithful who have turned out to greet him around the world, journalists jostled for position to shake the pontiff's hand when he entered the small, overcrowded and overheated room at the press centre.

Once on the platform he took out three pages of notes and issued first a warning and then a promise. "They have prepared this for me to read first, then we can talk about something else," he said.

His formal remarks showed no small understanding of the lot of some journalists. "You feel the pressures of power - both ideological and economic - which try to influence your work. At times you are asked to write on themes and subjects which are distant from, or even contrary to your principles."

The formal speech duly read, a couple of the scarlet frocked gentlemen in his retinue sprang to their feet, possibly hoping for a quick exit. But the Pope stood his ground at the microphone and, to the surprise of most present, asked questions.

The first, on how he liked travelling with journalists, prompted a reflection on an Aristotelian precept on the need for "admiration and wonder," and a complaint that he had expected tougher questioning. This encouraged a Tunisian journalist to ask what he thought of recent scenes of the disruption of religious activities in Jerusalem.

Attacks on people at prayer in the mosques of Jerusalem were "totally unacceptable," said the Pope. On the broader Palestinian question, he had

already made it clear that the Vatican supported the rights to a homeland of both Jews and Palestinians. He fully understood the sufferings of the Hebrew people. "I discovered in my own homeland, Poland, the great crimes of genocide. Numberless people were exterminated only because they were Jewish."

But it was on the subject of a possible visit to the Soviet Union this year, the 1,000th anniversary of the founding of the Russian church, that the

John Wyles in Rome reports on a papal visit to the city's Foreign Press Association which turned into an unusual opportunity for overseas journalists to question John Paul II on a wide range of international topics

Pope reserved his fullest answer. If he were to go it would have to be "a real visit in response to a real invitation which had not yet arrived."

Such a visit would be important not just for its religious aspect but also for "living together in the world." For the first time, however, he put great stress on the need for him to be able to visit Russian Catholics "wherever they are."

This meant not only Latvia and Lithuania but also the Ukraine where the Church was "clandestine and illegal." Vatican spies at the press bar afterwards were offering very long odds against Mr Mikhail Gorbachev rolling out the red carpet for such a visit.

OVERSEAS NEWS

Richard Evans in Miram Shah reports on a fluid frontier where lawlessness abounds Heroin and bullets power Afghan black economy

Sri Lankan Finance Minister resigns

MR RONNIE DE MEL, Sri Lanka's long serving Finance Minister and the man credited with keeping aid and foreign capital flowing in the country's troubled economy, resigned yesterday.

His departure follows a growing differences with President Junius Jayewardene and hardline Sinhalese in the Cabinet over treatment of Sinhalese youth and in particular the proscribed extremist JVC Sinhalese Buddhist group.

President Jayewardene has eschewed this conciliatory approach and has espoused a hardline against all terrorists, Tamil or Sinhalese. Sri Lanka's population is over 75 per cent Sinhalese.

The minority Tamils have been in bloody conflict with the majority for the past four years. One of the most militant of the Tamil groups, the Tamil Tigers were only subdued with the arrival of Indian troops six months ago.

Mr de Mel gave no official reason for his resignation. He said he will remain a member of the United National Party and a backbencher.

Under the constitution introduced by President Jayewardene in 1978, resignation from the party would have automatically have cost Mr de Mel his seat.

The decision quashes rumours that he had been offered a top international job.

Mr de Mel a highly respected figure in international banking circles showed no bitterness when he bade farewell to his top ministry and central bank officials.

Iraqi murdered

Gunmen who opened fire in the lobby of the Khartoum Hilton Hotel killed an opponent of Iraqi President Saddam Hussein and wounded the victim's nephew, witnesses and police said yesterday.

Mr Masahide Shibasawa, director of the East-West Seminar, said East Asia (Japan, Asian newly industrialised countries, China and members of the Association of South East Asian Nations) was unlikely to become an autonomous economic bloc or a comprehensive regional union.

HERE, in the teeming bazaar of this dirt-street border town five miles from the Afghan frontier, there is not much you cannot buy if you have enough money and you know who to talk to.

In fact, the entire town is a market. In the bazaar stalls that line its crumbling alleyways you can buy Russian iron radios, stoves and other appliances far cheaper than you would find them in Moscow or Leningrad.

More worrying to Pakistani authorities is the rampant black market for guns and heroin found in Miram Shah and throughout the Pathan tribal areas in Pakistan's Northwest Frontier province which fronts the Afghan border.

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Seven die in black townships

ANOTHER upsurge of violent death in the black townships around Pietermaritzburg claimed seven lives on Sunday night and dashed hopes of a truce after the recent joint UDF-leader statement calling on their supporters to stop fighting.

Among the victims was a two-year-old child shot in his mother's arms at a village near Greytown 80km north of Pietermaritzburg.

A man was burnt to death and three others injured when a petrol bomb was thrown at their house by a mob, police said. Other victims died in Pietermaritzburg townships after a series of knife, gun and arson attacks between members of rival gangs.

Last week the police said 246 people had been killed between September and January 10, but the real toll is believed to have been much higher.

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Army celebrates Khost battle

TANKS, armoured cars, heavy guns and rocket launchers paraded in Kabul yesterday as the Afghan army celebrated last month's victory over Moslem insurgent forces around the eastern town of Khost.

General Yusef Orakzai, former Northwest Frontier province Police Inspector, said the day may come when they turn the guns on each other or on the law enforcement agencies.

For all practical purposes the border between Afghanistan and Pakistan's Northwest Frontier disappeared years ago, as Afghan refugees, Mujahideen guerrillas, smugglers and bandits roamed back and forth on their various missions.

Lawlessness abounds. It is always in the tribal zones where Pakistani authorities have long required Western aid workers and journalists to apply for special permits before travelling and where no Westerner is allowed unescorted.

Bombings, murder and kidnap are on the rise. Armed robbery is commonplace. While some incidents are the result of duels between Afghan rebels and Kabul government agents, many are others are the settling of personal rather than political grievances.

CONFERENCE DISCUSSES IMPLICATION OF REGIONAL GROWTH East Asia challenges the economic order

EAST ASIA'S aggregate gross regional product will have grown to about 22 per cent of the world total by the year 2000, about the same proportion as each of North America and Western Europe.

Crucial The US involvement would be crucial to the region's future, South Korea, Taiwan, Japan, China and the Asian states all in varying degrees dependent on the US.

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Tan admits breach of trust

THE MALAYSIAN businessman and politician Tan Koon Swan (48) yesterday pleaded guilty to criminal breach of trust in respect of Shaggy 23m (A\$m) belonging to Multi-Purpose Holdings, the Chinese investment group of which he was formerly managing director.

The offence carries a maximum term of three years. Sentence will be announced on February 4.

The case involves the transfer of the money from MPH to Singapore in late 1985 when it was used by Tan to try to rescue Pan-Electric Industries, the marine, salvage and hotel group.

Pan-Electric's collapse caused a three-day closure of the Singapore and Malaysian stock markets and led to Tan's arrest and conviction for stock market manipulation for which he was sentenced to two years in jail term by a Singapore court.

Tan is the former president of the Malaysian Chinese Association, the largest Chinese political party in Malaysia and a member of the coalition government. His three companies, Grand United Holdings, Supreme Corporation and Everence, remain suspended on the Malaysian exchange.

China-Macao airport plan

CHINA has suspended plans to build an international airport in Zhuhai near the Portuguese enclave of Macao, Chen Wenliang, the vice mayor of Zhuhai said yesterday, Reuters writes from Macao.

He told Macao government television that China would join the territory's own plans for an airport, scheduled to be ready in late 1992.

The south China city of Shenzhen, bordering Hong Kong, plans to build one.

Roh Cabinet offer

Mr Roh Tae-woo, South Korea's president-elect, said yesterday he planned to fill some ministerial posts with opposition members to form a "suprapartisan" cabinet.

Mr Roh said he would ask the opposition to recommend suitable persons as Cabinet ministers. However, he did not say how many and what posts would be offered.

Contras object to terms for ceasefire talks

CONTRA LEADERS have raised their first objections to Nicaraguan president Daniel Ortega's new offer of direct ceasefire talks, insisting that civic opposition groups join in the negotiations.

At a secret meeting in Guatemala just before last weekend's summit of central American presidents, Contra chiefs and internal political party leaders agreed to demand tripartite talks with the Sandinistas.

The Nicaraguan government has repeatedly refused to enter any sort of political negotiations with the rebels, and President Ortega reiterated that stance on Saturday.

"We are totally opposed to a ceasefire... specifically that," he said.

The Esquipulas peace pact, given a brief new lease of life by the presidential summit, stipulates that governments must negotiate ceasefires with their guerrilla enemies but called for political dialogue only with unarmed opposition groups.

The Contras and the "Democratic Co-ordinator" which groups the Sandinistas' fiercest domestic opponents, are now seeking to stretch that point.

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Alexander Nicoll reports on the World Bank's assessment of developing country debt Hint of optimism on plight of the poorest

THE World Bank's annual assessment of developing country debt, published today, underlines what has been increasingly evident during a tumultuous year for the five-year-old debt crisis: that it has in fact become two separate debt crises.

The plight of the poorest nations of sub-Saharan Africa is clearly worse than those of the middle-income problem debtors, which are mainly in Latin America.

The Bank, however, allows itself a little cautious optimism about the poorest countries. Official international initiatives, it says, have recognised the urgency of their debt problems, though it warns of a 100 per cent increase in the amount of debt going in 1988.

Much less sanguine is the Bank's assessment of developments for middle-income debtors and their creditors during 1987 - which saw Brazil's unilateral suspension of interest payments, similar actions by smaller debtors, and increases in loan loss provisions by many banks.

"There was a disturbing sense that formal procedures for managing debt problems were being overtaken in 1987 by informal procedures," the Bank says.

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THE World Bank's annual assessment

WORLD TRADE NEWS

Bae on short list for Indian aircraft contract

BY JOHN ELLIOTT IN NEW DELHI

BRITISH Aerospace and three other aircraft manufacturers have been put on a short list by the Indian Government for an order worth over \$300m to supply aircraft to Vayudoot, India's rapidly expanding third airline.

ish Aerospace is offering its ATP 64-seat turbo-prop airliner. The other companies are de Havilland of Canada, part of Boeing of the US, which is offering the Dash 8, Fokker of Holland with its F-80, and the Franco-Italian ATR-42. Companies which put in bids last year but are not on the

short list include SAAB of Sweden which was offering the SAAB-340. Sweden's trade relations with India have been complicated during the past year by a scandal over an Indian Army \$1.4bn (£777m) Bofors gun contract.

All the companies have been told by the Indian government that they must offer extensive countertrade terms. British Aerospace last May placed a \$6m contract with the Indian Government-owned Hindustan Aeronautics of Bangalore to manufacture 150 ATP tailplanes in the hope that this will improve its chances of winning the Vayudoot order.

Mr Harsh Vardhan, Vayudoot's managing director, said yesterday that he hoped a decision on the order would be taken within a couple of months. At present Vayudoot flies 18-seat Dornier airliners and older aircraft inherited from Indian Airlines, the main domestic carrier.

Moscow, Oslo sign export credit pact

By Karen Fossil in Oslo

NORWAY and the Soviet Union have signed an export credit agreement for Ecu 75m (£32.8m). The agreement was signed during a three-day visit by Soviet Prime Minister Nikolai Ryzhikov.

The accord was one of the first to be signed with the new Soviet Bank of Foreign Economic Affairs, previously called the Bank for Foreign Trade.

The Soviet Union would have preferred the credit in Norwegian currency, but due to high interest rates in Norway, which are around 15 per cent, Ecus were used instead.

The interest rate has been set at a maximum of 7.5 per cent and any interest amount exceeding that will be borne by the exporter.

Ankara brings in sweeping tariff cuts

BY OUR ANKARA CORRESPONDENT

THE Turkish government has moved closer to its aim of full liberalisation of the country's import regime with a sweeping series of tariff cuts.

They are a continuation of the attempted transformation by Prime Minister Turgut Ozal and his advisers of the pre-1980 closed protectionist regime to an outwardly oriented and versatile trading economy.

The list of imports requiring prior approval has been cut by two-thirds to 33 items, and a ceiling set on all customs duties of 50 per cent.

This means that almost anything can be imported, except for arms, ammunition and narcotics, and items barred by special legislation.

The tariffs have been skewed towards raw materials, domestic industry, and agriculture. These suffered to some extent during first term of office from the emphasis on export-oriented output.

in tariffs for raw materials for chemical production. Certain categories of phosphate, nitrogen and potash fertilisers can now be imported duty-free, although a surcharge will be made, which will go towards the government's special development funds.

In order to protect domestic manufacturing industry, the imports regime for luxury and consumer goods remains little changed.

However, because of the high demand for cars - which can mean waiting lists of up to six months for locally-produced vehicles - duties have been reduced for units below 1,700 cc.

The cuts will have little effect on EC preferences, or relations involving the General Agreement on Tariffs and Trade, say diplomats. In future, the government will carry out a similar exercise annually. But at the same time, it has cut export tax rebate subsidies further.

Brazil to seek 50% rise in US textile quotas

BY IVO DAWHAY IN RIO DE JANEIRO

BRAZIL is to seek a 50 per cent increase in the quotas granted for its textile exports to the US in talks scheduled to open in Washington today.

The request comes at a delicate moment in bilateral trade relations as the Brazilian government must this week take crucial decisions on whether to revoke its decision not to license imports of US computer software - an issue that threatens to provoke strong US counter-measures.

Under current arrangements, Brazil sells some 180m square yards of textiles to the US annually, valued at about \$300m (\$160m). The market accounts for some 30 per cent of all foreign sales.

The negotiations with the US Commerce Department are expected to continue in February, possibly in Brazil. They will seek to fix quotas for the coming three years, commencing on April 1.

However, the outcome could be profoundly influenced by decisions in Brasilia this week. An interministerial council is scheduled to meet tomorrow to decide whether to rescind an order made last September

blocking imports of the MS-Dos software programme, made by the US company, Microsoft.

The refusal to license MS-Dos - taken by the state agency that oversees Brazil's computer industry protection policy - provoked the US Economic Policy Council to open the process that could end in punitive tariffs against Brazilian exports.

It is understood that Washington has delayed a final decision to await the outcome of the Brazilian policy review. Mr Mailson da Nobrega, the new Finance Minister, is reported to have been examining options for the case after coming under intense pressure to compromise from exporters.

One option - unofficially reported to be acceptable to Microsoft - is to continue the ban on outdated MS-Dos programmes, for which there are national Brazilian equivalents, but allow its state-of-the-art Dos 3.3 software into the country.

However, other complaints from US computer makers, including allegations of Brazilian piracy, may force Washington to demand further concessions before lifting the retaliation threat.

Daya Bay orders go to France

By Paul Beale in Paris

FRANCE has won Ffr 1.5bn (£150m) worth of orders from China for nuclear equipment at the new Daya Bay nuclear power plant and for additional digital telephone exchanges and telecommunications cables.

The largest order involves a Ffr 1bn contract for Framatome, the French nuclear power plant constructor, and Spie-Batignolles, the French construction and civil engineering group, to assemble nuclear equipment at the Daya Bay power plant near the Hong Kong border.

Assembly work is expected to start early next year and be completed by the end of 1992. The contract follows a Chinese decision to select Framatome in 1986 to supply two 800 Mw reactors for Daya Bay. The turbines for the new \$2.5bn (£1.4bn) Chinese nuclear power plant project will be supplied by General Electric Company of the UK.

The latest French telecommunications contracts involve Ffr 580m worth of orders for Alcatel, the telecommunications group controlled by France's Compagnie Generale d'Electricite (CGE).

Alcatel CIT, the French subsidiary of the telecommunications group, will supply additional 2-10 digital exchanges to Peking involving 150,000 lines worth Ffr 488m.

Krupp offshoot wins Soviet clean air order

By Leslie Collis in Berlin

KRUPP Koppers, of West Germany, has fought off strong Japanese, French and British competition to win a DM100m (£34m) contract to expand and modernise three highly-polluting plants at the giant Mogilev chemical complex in the Soviet Union.

Krupp Koppers' offer to use Dynamit Nobel's anti-pollution process in producing dimethylterephthalate (DMT) was a key factor in its winning the Soviet contract.

The plants which produce DMT to manufacture polyester fibres were built between 1975 and 1982. An earlier factory was erected by the Japanese. The burning by the plants of residue containing cobalts led to pollution blanketing the city of Mogilev in western Russia.

Krupp Koppers is to instal a catalyst recovery unit which will keep cobalt and manage emissions to a minimum. The modernisation plan which will considerably reduce consumption of raw materials and energy is due to be completed by 1990 and will boost DMT production at Mogilev by 25,000 tonnes annually.

In co-operation with Dynamit Nobel of West Germany, Krupp Koppers is to provide the licence and know-how to the Soviet Union as well as the necessary equipment, training of personnel and control of start-up.

Tunisia to shut part of imported-kit car plant

BY FRANCIS GIBLES

TUNISIA is to shut down the part of the Societe Tunisienne d'Industries Automobiles which assembles cars and light industrial vehicles from imported kits.

Assembling buses and heavy industrial vehicles will however continue at the company's plant in Sousse, south of Tunis.

This decision fits into the policy of economic liberalisation initiated 18 months ago and was made inevitable by the collapse in demand for such vehicles which came following the austerity policies pursued since 1985.

Demand for locally manufactured cars declined by 43.7 per cent and for light industrial vehicles by 63 per cent. By the middle of last year STIA was manufacturing between 5 and

52 cars every month. STIA lost Dinars 10m (£7m) last year after losing Dn 23m in 1986.

The revaluation of the dinar over the past two years has also been a major factor, making the assembly of imported kits more expensive than importing cars from abroad.

About half the new tourist cars registered in Tunisia every year are brought back to the country by Tunisian immigrants in Europe. A similar problem faces the Tunisian Government at the Compagnie Mecanique de Tunisie (CMT) which assembles tractors from kits imported from Deutz in West Germany. All paid an unexpected visit to the CMT plant at Mastour, west of Tunis last Thursday.

Norway cuts trade deficit to Nkr12bn

By Karen Fossil in Oslo

NORWAY cut its trade deficit from Nkr23.5bn (\$3.7bn) in 1986 to Nkr12bn last year, according to figures released by the Central Bureau of Statistics.

Exports, excluding oil and gas, increased 16.8 per cent while imports rose only slightly by 0.5 per cent due to a decrease in domestic demand and consumption, which was 2 per cent down on last year's figures.

Norway experienced a sharp increase in the export of raw materials and traditional goods including aluminium, pulp and paper and chemicals while market prices for these items rose.

Excluding oil and gas, ships and oil platforms, Norway's trade deficit was down by 14.3 per cent from Nkr76.6bn in 1986 to Nkr65.6bn in 1987.

Although Norway's trade figures are encouraging, economists say that the country has a long way to go

SAS to spend \$700m on long-haul Boeing 767s

BY SARAH WEBB IN STOCKHOLM

SCANDINAVIAN Airlines System (SAS), yesterday placed an order for nine long-range Boeing 767 aircraft in a deal worth more than \$700m as part of its plan to build up its intercontinental fleet. SAS has also signed an option on a further 15 Boeing 767 aircraft.

The deal will enable staff to increase the number of long-haul flights it can offer to business passengers, particularly from the Scandinavian capital to North and South America.

The first aircraft are due to be delivered in March 1989 and will begin operating on the south Atlantic routes in 1990.

The airline had previously considered replacing its fleet of DC-10s with either the McDonnell Douglas MD-11 or the Airbus A-340 aircraft and had signed a letter of intent in December 1986 to buy 12 MD-11s in a deal worth more than \$1.4bn. That order has now been cancelled.

However, while SAS said that it would re-evaluate both the MD-11 and Airbus A-340 aircraft in the early 1990s "as they become available". Neither plane is in operation yet and SAS said it had plumped for the Boeing 767 because it was now facing heavy competition on the intercontinental routes.

The \$700m deal with Boeing includes spare parts, a simulator and other equipment. The Boeing 767 was seen as an attractive aircraft because it can fly up to 11,580km non-stop which means that SAS can begin offering non-stop flights to South America for the first time as well as increasing the number of flights from Scandinavian capitals to the important US market.

SAS said it intended to continue using its fleet of 10 DC-10s on the busiest routes while the Boeing 767s would be introduced on the less dense routes.

Believe it or not, but what you're looking at in this picture represents an investment of £10 million. That's how much Peaudouce are spending to set up a factory that'll make the product you can see being modelled below. As for the size for this, their first ever British manufacturing unit, we're proud to say that with the whole country to choose from they eventually decided to build in Telford. Incidentally, once in full swing, the factory's set to produce more nappies than any other in the U.K. So what made the world's third largest producer of "baby hygiene products" plump for the Shropshire town? To understand their choice one must first consider the nappy. As a product, its value as compared to its bulk is low. Also, by its very nature, it's a high volume product.



COULD THIS PICTURE HOLD THE SECRET OF YOUR COMPANY'S FUTURE SUCCESS?



Combine these factors and you can see why, in the nappy world, regular, reliable and economical transport is all important.

Telford, thanks to the M54, and its location close to the heart of Britain's motorway network, admirably meets all these criteria. In fact, two thirds of the entire British consumer market can be reached from Telford by HGV in under four hours.

The French were also impressed with how easy it is to get people to and from the town. Birmingham International Airport is only a forty minute drive away, while just over two hours on a train will get you to the heart of London.

As the new factory is set to create 235 jobs, the ready availability of a skilled, adaptable workforce was another key consideration. Needless to say that in Telford Peaudouce found all the people they needed. Moreover, in the Telford Development Corporation they found the people who could make the whole project go as smooth as, dare we say it, a baby's bottom.

Telford Development Corporation not only offered advice and assistance at every stage of the planning process, but also made sure that the red tape was kept to a minimum.

Add all this to the fact that Telford is set amongst some of Britain's most beautiful countryside and you'll begin to understand why the town came top of the French multinational's list.

So if you're thinking about relocating your business perhaps this baby's bottom is just the pointer you've been looking for.

But before you read the rest of the paper we'd like to leave you with one final thought.

With £10 million at stake, you can rest assured that when Peaudouce finally chose Telford as the site of their new nappy factory, it wasn't a rash decision.

To find out more ring Chris Mackrell, Commercial Director on 0952 613131.



The success story continues.

UK NEWS

BT reduces prices for global circuits

BRITISH Telecom has cut its prices by up to 40 per cent for key international services used by many big companies in a move which could prompt a price war with Mercury Communications, its sole network rival, writes David Thomas.

The price cuts are for BT's international private circuits used by businesses to send data and voice traffic both internally and to major customers and suppliers. Mercury reacted by saying it would review its charges for international private circuits. There has been fierce competition between BT and Mercury in this area since it was liberalised through Mercury's entry into the market.

However, BT is about to announce price increases for domestic private circuits, which could bring BT into conflict with the industry's regulatory body.

Rover returns to work

Car production at Rover's Cowley and Longbridge plants resumed yesterday following settlement of last Friday's dispute involving 70 lorry drivers delivering car engines to both the Oxford and Birmingham plants.

Postal backlog

Postal workers in Bristol returned to work yesterday to deal with a backlog of letters after a four-day unofficial strike against "inadequate" Christmas bonuses. The return to work may be temporary as workers have not yet reached agreement with management.

Nunast in joint accord

UK and Norwegian seafaring unions have taken steps towards more international co-operation by signing a joint negotiating agreement. The agreement will allow members of Nunast, the UK officers' union, to participate in talks covering wages and conditions between Norwegian unions and the recently formed Norwegian International Ship Register.

Logging for engineers

The Engineering Council has proposed that engineers have log books to keep up to date with new technology. To improve industrial competitiveness, engineers and technicians would be encouraged to draw up plans setting out how they would improve current performance, anticipate future changes of role and enhance their professional development. Pilot schemes will start this year.

Sogat briefs the press

The print union Sogat, which was at the centre of a year-long dispute over the introduction of new technology, has spent £2,000 on a press briefing in an effort to convince the newspaper industry that the union is committed to technological change. The supplement is the first from a TUC-affiliated union in the journalists' trade magazine, the UK Press Gazette.

Farm job prospects

The Development Commission said that the problem of losses of farm jobs was a long-term issue and that the effects would spread through the rural economy and rural communities. The commission said it was concerned with creating new jobs in rural areas.

Sales decline points to faltering retail growth

BY RALPH ATKINS AND MAGGIE URRY

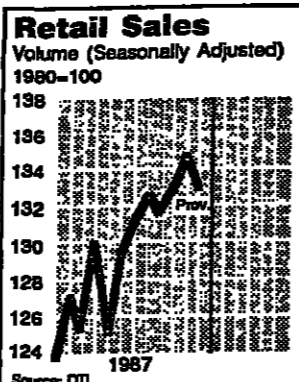
AN UNEXPECTED fall in seasonally adjusted figures for December's retail sales yesterday provided further evidence that buoyant growth enjoyed by shopkeepers is faltering.

Provisional figures from the Department of Trade and Industry show that the index of retail sales volume fell 1.1 per cent in December to 132.9 (1980-100) against a record 134.4 in November.

The drop may be the first sign that the economy is entering a period of slower growth after the stock market crash in October. After an autumn of particularly buoyant retail sales, many City of London economists are forecasting a slower pace of growth in the next few months.

The DTI said that even without seasonal adjustment, December's sales by clothing, footwear and department stores were lower than in November. However, it said the underlying retail sales remained firmly upwards.

In the three months to December, the level of sales was more than 1 per cent higher than the previous three months and 5½ per cent higher than the last



quarter of 1988. The value of sales in December was £13.7bn about 8 per cent higher than the same month a year before.

Analysts yesterday were anxious to point out that long-term trends cannot be identified from a single month's figures. The DTI said there are also inevitable problems in adjusting the index to iron out effects of Christmas and new year sales.

Retail sales are likely to continue rising into 1988 although

at a slower pace. Consumer spending, of which retail sales form a large part, is set to grow strongly as earnings growth grows no signs of abating and inflation is dipping.

The effect of October's stock market crash on the wealth of consumers appears to have had little impact on sales so far. But it is likely to have increased uncertainty and led to a more cautious approach to spending.

A slower pace of growth in retail sales will ease fears of a possible rise in interest rates engineered by the monetary authorities to offset the undesirable side effects of a fast growing economy. It may also widen the scope of Mr Nigel Lawson, the Chancellor of the Exchequer, to cut income tax in his March budget without triggering excessive rises in imports through increased consumer demand.

Mr Richard Weir, director-general of the Retail Consortium, the body which represents retailers, said: "If the provisional figures are confirmed retail volume will have risen by 6 per cent in 1987 on 1986 and that is a very good trading year in volume terms."

Labour campaigns to 'listen'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR party's two-year campaign to involve the public in its overhaul of policy was launched yesterday in the shape of a series of potentially divisive, contest for Labour's deputy leadership.

Mr Neil Kinnock, the Labour leader, announcing details of the "Labour Listens" campaign, attacked critics of the plan for displaying "a shallowness that is incompatible with socialism."

Mr Kinnock also repeated warnings that a challenge to Mr Roy Hattersley, the deputy leader, by Mr John Prescott, the party's energy spokesman, would represent an "unforgivable distraction" from Labour's present priorities.

Mr Hattersley was reluctant to discuss the issue but said he was determined that any contest would not deflect the party from "the real job" of formulating fresh policies and defeating the Tories.

Mr Prescott has repeatedly



Mr Kinnock Listening

stressed that, if he does stand, his decision should not be interpreted as an attack on Mr Kinnock's leadership but as a move to ensure the post incorporates a campaigning role intended to boost Labour's chances of an

election victory.

Whatever the justification, a decision to provoke a contest at a time when Labour is anxious to maintain its momentum and develop fresh policies will inevitably be seen as a challenge to the Labour leader's authority.

Launching "Labour Listens", Mr Kinnock said the results of ticket-only meetings with the general public and special-interest groups around the country would be fed into the party's policy review groups. These have already started work and are discussing all major policy areas, including health, defence and education.

Replying to critics of the campaign, who have accused the party of conducting a policy rethink by opinion poll, he said some people were afraid to relate their ideas to Britain's real needs, or to meet and listen to the electorate. "We are not an exclusive order that exists to talk to itself," he added.

Liberal MPs back new merger draft

BY OUR POLITICAL CORRESPONDENT

DECISIVE talks between Liberal and Social Democrat negotiators aimed at securing agreement on a revised policy statement for their proposed new party were underway last night at Westminster.

The document, hurriedly drawn up over the weekend, has removed detailed references to all the controversial proposals which were con-

tained in the two party leaders' own policy document and which led to open rebellion within both parties.

After another day of emergency meetings, the compromise policy statement appeared to have won broad support from Liberal MPs. But when discussions between the two parties resumed last night, it was

not clear whether the new policy stance was acceptable to Mr Robert Maclean, the SDP leader, who refused to comment.

His reaction was noticeably different to that of Mr David Steel, the Liberal leader, who emerged from the meeting to claim that the merger was "back on the rails".

Details, Page 10

US drug makers favour UK

BY PETER MARSH

US-OWNED pharmaceuticals companies in Britain are likely to spend up to £200m over the next five years on new production and research facilities, according to an informal survey in the drugs industry.

The companies canvassed in the survey said they generally believed the climate in Britain was favourable for investment, according to Mr James Cochrane, managing director of the UK subsidiary of E.R. Squibb, a leading US manufacturer.

However, Mr Cochrane, who helped to organise the survey, said the companies' intentions could easily alter if the economic and political climate changed. "This kind of invest-

ment is very mobile," he said.

Companies canvassed in the survey include big US drugs makers such as Merck Sharp and Dohme, Cytosamid, Smith Kline and French Laboratories and Eli Lilly. US-owned companies based in Britain account for roughly two fifths of the £2bn worth of medications sold each year to the National Health Service.

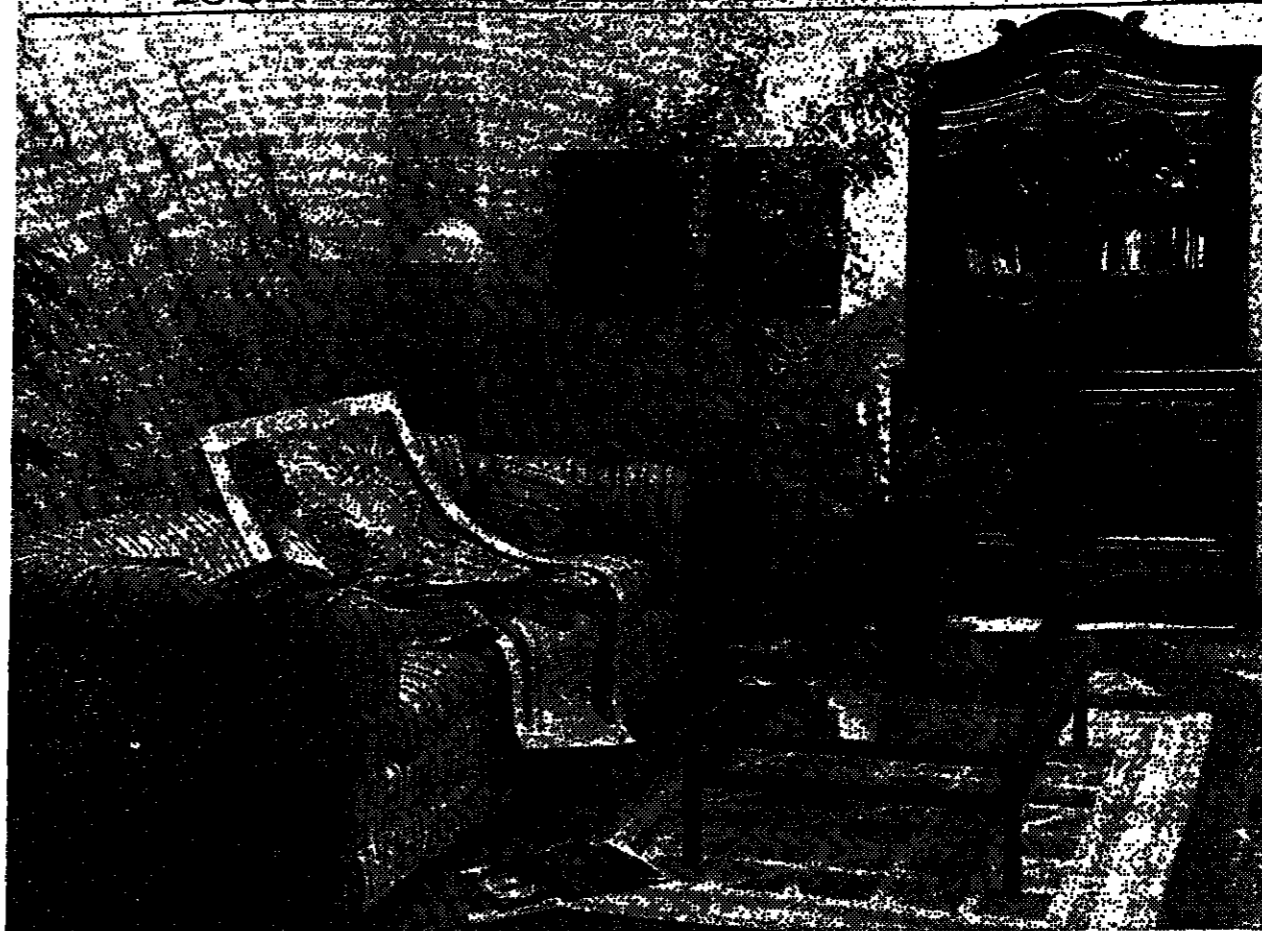
The survey asked companies to detail plans for capital spending, including schemes that were not fully approved, over the next five years.

According to Mr Cochrane, the investment climate for the pharmaceuticals industry in

Britain has improved considerably in the past two years, largely as a result of government policies. As recently as 1984-85, he said, the UK "was not a very attractive place for the industry to invest".

He said a particular step forward had been an agreement in 1986 on the pharmaceutical price regulation scheme, the pricing framework organised by the Department of Health and Social Security to control drugs prices. The scheme was generally welcomed in the industry on the grounds that it took a more realistic view on the profits its companies are allowed to make through supplying the health service.

WHILE YOU'RE WORKING ABROAD, DON'T LET YOUR MONEY TAKE IT EASY AT HOME.



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Over the last year the Halifax Building Society has offered especially high gross rates of interest to investors not ordinarily resident in the UK for tax purposes. Quite simply, this means we pay you more interest with no tax deducted. And being the World's No. 1

Building Society the Halifax combines high interest with security.

All you need to know about the Halifax and investing money back in Britain is in our Actionpack for overseas customers. You'll find information on current interest rates, a taxation guide, house prices in the UK and a copy of our expatriate newspaper 'Exchange'.

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UK NEWS

Grant may meet half cost of Manchester rail link

BY KEVIN BROWN AND IAN HAMILTON FAZEY

THE GOVERNMENT yesterday gave a conditional go-ahead to a \$40m light railway system planned for Manchester by agreeing to meet half the cost if the balance is provided by the private sector.

Mr David Mitchell, the Transport Minister, asked the Manchester Passenger Transport Executive to invite private-sector tenders to build, operate and maintain the railway.

The proposed railway would run for 19 miles, linking the two halves of Manchester's rail network, which have run into separate termini in the city since 1880.

Taxpayers 'will pay more for schools'

By Michael Dixon, Education Correspondent

TAXPAYERS will face increased bills for state schooling as a result of government plans to delegate managerial powers to individual school heads and governors, according to a report by the Coopers and Lybrand management consultancy, published yesterday.

The report, commissioned by Mr Kenneth Baker, Education Secretary, says: "While we would expect local management of schools to lead to increased effectiveness in the use of resources, it is unlikely to lead to reductions in overall expenditure and may well, certainly in the transition period, require increases in expenditure."

David Lascelles weighs the Greenwell Montagu closure Midland completes equity retreat

THE UNHAPPY tale of Midland Bank's three-year-old venture equity ran its course yesterday with closure of most of Greenwell Montagu Securities, its equity-broker subsidiary.

October: The market crash caused a steep fall in commission revenue, plunging the operation into loss. Management struggled to hold the company together and to rebuild esprit de corps, but Midland was then forced to decide whether it wanted to continue in this ill-starred business at all.



There was less business potential among Greenwell Montagu's institutional investment clients because Capel dealt for most of them already. He also said some Greenwell staff might interest Capel.

Gilts broker opens in Japan

BY SIMON HOLBERTON

A FURTHER step towards the global trading of gilt-edged securities was taken yesterday when Garban Gilts, one of London's six inter-dealer brokers, opened for business in Tokyo.

Garban Gilts, a subsidiary of MAI, said yesterday it would offer its broking services to the 20 UK prime dealers in gilts operating in the Far East.

and Daiwa Securities have applied for authorisation to become primary dealers in gilts. The Bank welcomed the development of the Tokyo secondary market for gilts. It sees it as a natural evolution of the domestic UK market, and believes foreign investors would feel more confident about investing in gilts if they had their own secondary market.

Office plan for London station

BY PAUL CHEESEBRIGHT, PROPERTY CORRESPONDENT

BRITISH RAIL has granted Greycote, the property company, and Sir Robert McAipine, the construction company, a 250-year lease on the area above the tracks over the southern part of Victoria railway station in London.

Plaza at the northern end. Half of the new building, which should be completed by 1990, has been pre-let to the Department of Trade and Industry under the terms of an agreement reached last year. The DTI will be paying £26 a sq ft, compared with current rents of around £25.

developed. It carries an interest rate of 8.25 per cent and matures after seven years. It has been privately subscribed by domestic and international institutional investors.

Sunday Sport for weekdays

By Raymond Snoddy

SUNDAY SPORT, the controversial colour tabloid planned to be published from July, shortly before Mr Eddie Shah plans to launch his new newspaper, The Post.

Permanent Spycatcher ban sought

THE GOVERNMENT'S renewed bid for a permanent ban on press reporting of Spycatcher opened yesterday with an attack on the different standards applied to the private citizen and the press.

Leather company threat to move plant to Italy

BY ALICE RAWSTHORN

A WEST COUNTRY leather goods company is threatening to move its new production plant to Italy unless it is permitted to build the factory near its established base in Somerset.

Mulberry expects a decision by the end of next month. If the proposals are rejected, Mulberry will be forced to find factory premises elsewhere, probably outside the UK.

Market maker extends into property shares

By Terry Byland

CHASE Manhattan Securities has gone against the City trend by extending its market-making range at a time when stock market firms have been cutting staff.

Town to permit retail centre

BY PAUL CHEESEBRIGHT

THE FIRST original project of the joint venture company set up by Marks and Spencer and Tesco to develop retail property will be outside Camberley, Surrey, close to the M3 motorway.

of any schemes with more than 250,000 sq ft of retail space. Tesco noted yesterday that the department would probably still want to look at the plans because they fall outside the Surrey structure plan, which settles the broad patterns of land use in the county.

next month. The Camberley development is designed to cater for people arriving by car. Parking for 2,000 vehicles is planned.

Caterer wins council contract

Financial Times Reporter

COMPASS, the UK's largest independent contract caterer, has won a contract from the London Borough of Bromley to supply catering services for two elderly people's homes.

Irish PM protests at nuclear plan

BY KIERAN COOKE, DUBLIN CORRESPONDENT

MR CHARLES HAUGHEY, the Irish Prime Minister, has added his voice to a mounting chorus of protest in the Irish Republic about plans by the Central Electricity Generating Board to test cooling equipment at a nuclear power station in Trwynydd, North Wales, less than 100 miles from Dublin.

in the nuclear industry in Britain posed possible dangers to the population of the Republic. "We are entitled to be kept fully informed," he said.

Parliament. Mr Dick Spring, the leader of Ireland's Labour Party, and a former Minister of Energy, described the proposed experiment as a hostile act. "The proposal to carry out what amounts to a Chernobyl experiment at Trwynydd is grossly irresponsible," said Mr Spring.

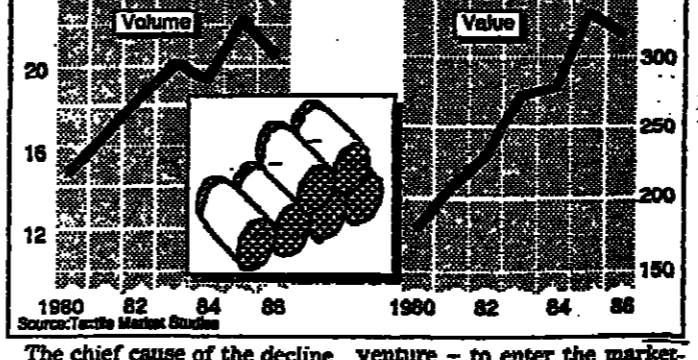
Granville SPONSORED SECURITIES

Table with columns: High/Low, Company, Price, Change, Dividend, Yield, % P/E. Lists various companies like British Ind. Ordinary, BSB Design Group, etc.

Alice Rawsthorn looks at an industry where a change in fashion has cost hundreds of jobs Woollen mills suffer as style makes a comeback

ONE of Lister's woollen mills at Bingley in Yorkshire will grind to a halt over the next few weeks. The mill, which spins hand knitting yarn, is preparing to be "mothballed" after Lister's decision to withdraw from hand knitting after more than half a century in the industry.

Handknitting yarn sales in G. Britain



The principal obstacle for the manufacturers was that the chief cause of decline - was in demand. Mr Jerry Lumb, managing director of Sirdar, said: "If there had been a change in market emphasis then we could have changed our marketing to cope with it. But if fewer people are knitting, in the short term at least, there is nothing we can do."

Shipowners win backing for tax investment plan

By Kevin Brown, Transport Correspondent

SHIPOWNERS have won Transport Department backing for fiscal incentives to reverse a 12-year decline in the number and tonnage of UK ships.

Transport ministers have accepted part of the case for incentives made in a recent submission by the General Council of British Shipping, and have asked the Treasury to help in the forthcoming Budget.

An internal report on the GCBS claims sent to the Treasury by Transport officials is believed to recommend the introduction of roll-over relief for balancing charges.

That means the Government would forgo tax on profits on ships in excess of written-down value, provided the money was reinvested in shipping.

Treasury officials are believed to have resisted offering incentives to shipping on the grounds that shipowners lacked entrepreneurial spirit and had been too cautious in their investment policy.

Treasury ministers have also been reluctant to make a special case for shipping for fear of inviting a flood of demands for help from other depressed industries.

The Transport Department report circumvents that argument, however, by basing the case for incentives on the strategic value of the British merchant fleet, particularly during a long conventional war.

The report says the fleet is still large enough to offer ade-

quate direct support to the Royal Navy, in the form of fuel transports, troop carriers and supply ships, and to meet commitments to the North Atlantic Treaty Organisation.

But it says there is growing doubt about the ability of the fleet to keep the UK supplied with essential imports during a long conflict.

That is because of a decline in the number of UK-owned ships from a peak of 1,614 vessels of about 50m tons deadweight in 1976 to 635 ships of 16.9m tons last year.

Within this figure, around 235 UK-owned ships of 11m tons are registered outside mainland UK, mostly in the Isle of Man and British Dependent Territories.

The GCBS forecasts that the total might fall to as few as 100 ships by 1990 because investment has almost dried up since the withdrawal of 100 per cent first-year capital allowances in the 1984 Budget.

The shipowners argue that the disappearance of a sizable fleet would expose the UK to overseas control of trade flows, and remove a positive contribution to the balance of payments.

These economic arguments have been rejected by the Transport Department, however, and are not expected to win much support in the Treasury.

Lynton McLain looks at a warship yard's progress two years on from privatisation

Vosper Thornycroft hunts mines and big orders

ROYAL NAVAL plastic mine-warship yards have more than hunters sweeping the Gulf are a handful of orders, apart from also a floating advertisement VSEL, which is building Trident for Vosper Thornycroft, lead nuclear submarines.

Vosper is the main builder of the Hunt class vessels, 200ft long, down class, its latest single-role are the world's biggest GRP minehunter on order for the mouldings. HMS Quorn, last of RN, the first of which is being 11 Hunt class vessels Vosper has built for the RN, is due to be launched on Saturday.

The yard is competing with the Italian Intermarine yard at La Spezia, which is building multi-million-pound investment Lerici class minehunters, and in jet cutting equipment to the French-Dutch-Belgian consortium that makes the Tripartite minehunter.

If Vosper wins the Saudi minehunters, the order it would be the company's biggest export success since the yard was privatised in 1985 by the management buy-out from ered by the Defence Ministry to state-owned British Shipbuilders.

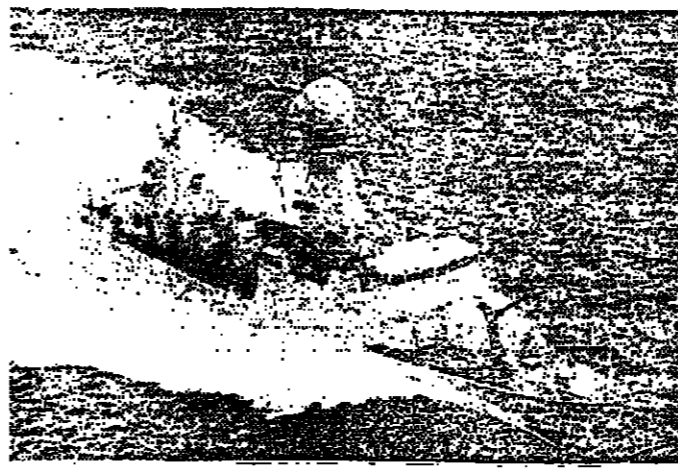
Exports accounted for 53.6 per cent of the £88m turnover apart from minehunters, so in Vosper's first full financial year for the RN, 1987, to last March, when the company's speciality is exporting newly privatised company fast patrol craft. It can also make pre-tax profits of £2.75m. built steel frigates and destroyers.

Success in winning orders here, although it has not done so from Saudi Arabia would since 1985.

Vosper is sensitive to minispecialist, generally small-scale try suggestions that it could warships at a time the conventional steel warshipbuilding market is suffering from overcapacity.

Mr Peter Usher, managing director, says: "We intend to continue to pursue our major House to mothball Scott naval customers - the MoD in Lighthow's Clyde yard, also pri-the UK and export prospects.

The UK market for is minivatised by British Shipbuilders. The UK market for is minivatised by British Shipbuilders. The UK market for is minivatised by British Shipbuilders.



One of Vosper Thornycroft's exported warships

not see frigates as a big opening for us."

Nevertheless, Vosper has bid for the latest batch of up to four Type 23 anti-submarine frigates, worth up to about £600m. The Type 23 is the RN's newest warship and is of conventional steel. The ministry's decision is expected in June.

Since privatisation, Thornycroft's strategy has been to seek exports as a high proportion of turnover; develop its expertise in building plastic warships; maintain a capability to build conventional frigates and destroyers; and expand non-shipbuilding activities, especially those complementary to shipbuilding.

The policy of diversification has ensured that more than a quarter of the total workload last year involved electronic systems and other non-shipbuilding work.

That includes design and building of machinery and secondary surveillance systems for UK Trident nuclear submarines. Before privatisation, non-shipbuilding work accounted for as little as 10 per cent of the yard's turnover.

Mr Usher says Vosper's productivity has risen by about 37 per cent since privatisation. "We felt free to take the actions that were necessary. I went on stage in cinemas in Portsmouth and Southampton and said to the employees we would pay the going rate if we could remove restrictive practices."

"This was the prime objec-

tive, to remove demarcation and not pay for hours that were not worked."

The workforce was cut from 3,000 at privatisation to 1,850 by last year's end.

Mr Usher says: "People are better motivated, there is less waste of effort with the removal of demarcation, 80 per cent of employees own shares in the company and they all enjoy a profit bonus of a week's pay."

Vosper operates from two sites: Woolston yard, Southampton, specialising in GRP and steel vessels; and Portsmouth yard, Portsmouth, specialising in high-speed patrol boats.

It is reputed to build vessels of such quality that some staff talk about mythical golden rivets and the quality of finish and materials and the possible element of gold-plating in design.

When its Hunt class minehunter HMS Berkeley went into service in November, Captain Norman Barter, who has accepted 46 ships into the RN, told Vosper directors: "HMS Berkeley is the best ship we have accepted so far."

Vosper is building Atlantic Challenger for a US client to challenge Mr Richard Branson's crossing. A naval strike vessel is being completed at Portsmouth for a Middle Eastern client.

None the less, the yard is under-used and could build six fast patrol craft at once. Vosper recently won a contract to design anti-submarine corvettes for the Thai Navy. "This work keeps designers and draughts-

men on our books," Mr Usher says.

Vosper operates three divisions, covering controls, hydraulic power and support projects, each operating with "a reasonable degree of autonomy."

The hydraulic power division exports about 90 per cent of its output of stabilisers and steering gear, including to the US Coast Guard.

Mr Usher says these non-shipbuilding activities are essential to provide Vosper with "a base-load that is more stable than shipbuilding, which we see as very lumpy, with large fluctuations."

Vosper wants equal turnover from shipbuilding and non-shipbuilding activities.

"Ideally, we want to build up shipbuilding rather than diminish it, and build the non-shipbuilding sector at a faster rate to give greater stability to the business," says Mr Usher.

He says that with a forward order book of £200m and a "very good cash position at the bank, accompanied by no overdraft, no outstanding loans or deferred purchases, we are a financially viable company, standing on its own feet."

The £18.5m the directors paid for the company has been repaid. Says Mr Usher: "In facing the world we are not a sensitive, tentative management buy-out. We will float the company on the Stock Exchange in due course, possibly three years from the buy-out." That could mean this year.

Merrill Lynch, Ropermaker Place, London.

Stores lead advertising cash league

By Philip Rawstone

MULTIPLE retailers occupied the first six places in the top 20 advertising spending brands in 1987, according to figures issued yesterday by Media Expenditure Analysis (Mead), MFI Stores (Mead), the rankings - based on advertising expenditure on television, radio, and in newspapers and magazines - with an estimated £19.16m.

Dixons was placed second with £14.3m, and Currys close behind with £13.97m.

The next three in Mead's list were Woolworth (£12.58m), Comet (£12.23m), and B&Q (£11.5m).

Asda took seventh place with an estimated expenditure of £10.91m; and Ham-belows (£9m), Texas Home-care (£8.64m), Tesco (£8.5m) and Boots (£8.71m), were the other retailers in the rankings.

The top spending brands on television, according to Mead, were McDonalds (£8.8m), Nescafe coffee (£8.65m), and National Dairy Council milk (£7.95m).

Retailers filled the top 10 places in brand advertising in the national press. MFI led with an estimated £12.5m, followed by Currys (£11.2m) and Dixons (£10.7m).

Cigarette brands filled the first four places in the consumer magazines list. Benson & Hedges spent an estimated £8.31m on its king size Special Filter, and a further £6.42m on its Silk Cut king size filter.

The leading brand advertiser on commercial radio was Ariel automatic washing powder, with £1.5m.

Stereo vision advance

By Paul Abrahams

A SYSTEM OF enhancing vision in stereo which, it is claimed, will prove more important than the impact of Dolby on sound, has been developed by Aspek, a small, London-based technology company.

The design improves the sharpness and colour saturation of images. When special glasses are worn it also replicates normal three-dimensional vision by increasing depth. In tests, 91 per cent of people noticed a difference when the system was used.

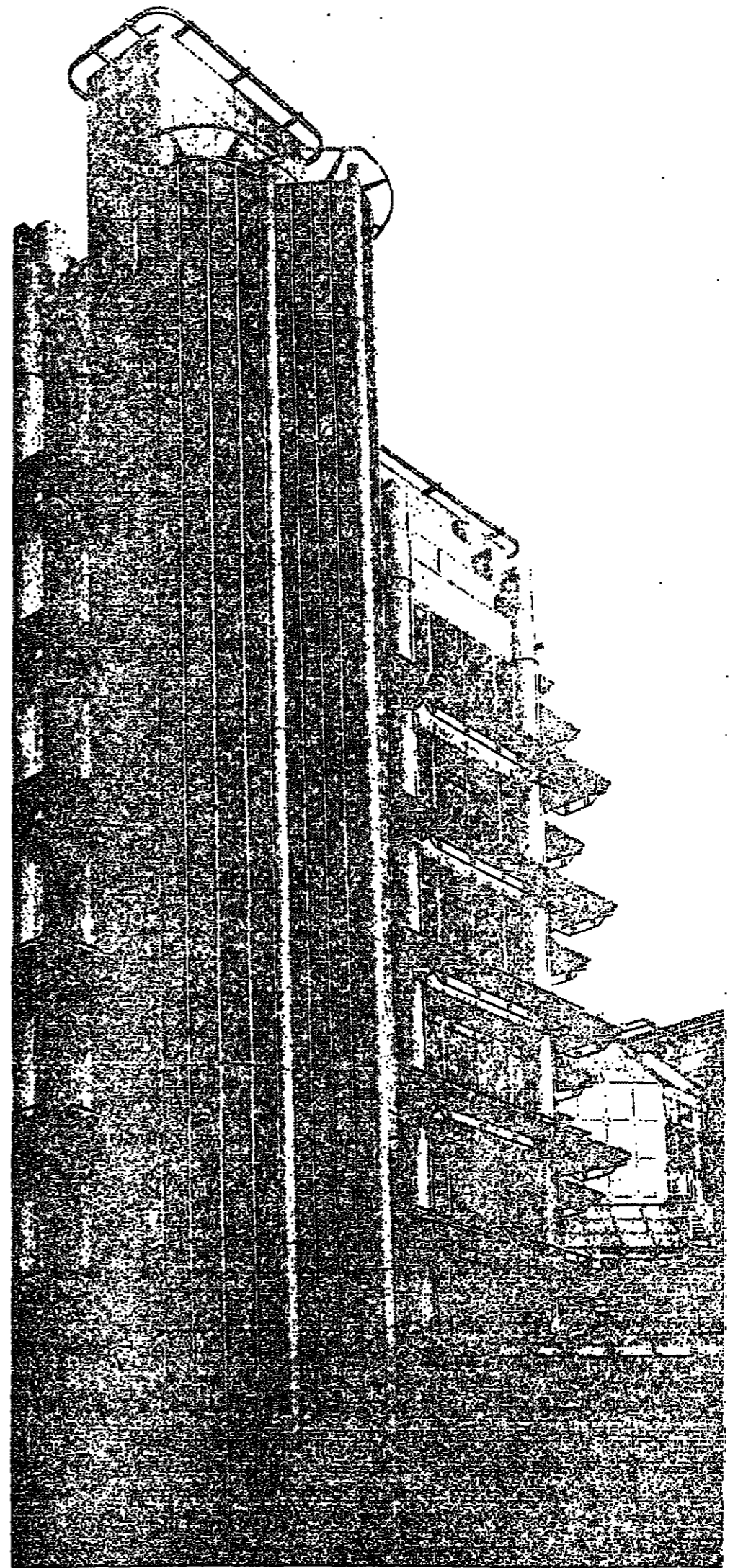
Mr Spud Taylor, managing director, said: "Aspek will be bigger than Dolby because images are much more important than sound. The system is a long way from the gimmicks of exaggerated 3-D which were used in films such as The Creature from the Black Lagoon."

The system has potential applications in any recorded visual medium, including film, video, still photography and computer-aided design as well as computer games. The Ministry of Defence is also said to be interested in using stereoscopic vision for defence applications.

Aspek was set up last year with loans of £800,000 from venture capital companies ECI, EBBQ and Newmarket together with Fillingim, the glass manufacturer, whose space division helped with research work on the glass material. It is looking for a further £2m in the spring to help market the product.

Income from the innovation will be generated through hire of lenses to film companies, distribution charges on films and videos made with the system, licensing agreements and through industrial and military applications. The glasses will be sold initially to young people for between £8 and £25.

WHERE THERE'S STEEL THERE'S BRASS.



Government to preserve 1,000 red phone boxes

BY FEONA McEWAN

THE DECISION to phase out Britain's traditional red public telephone boxes was never popular with the public.

Now the Government has announced that it is to preserve 1,000 of the kiosks, which are being replaced with updated models, by giving them a Grade Two listing.

The quota is double that agreed last year, and represents 2 per cent of the total.

Lord Calthness, Environment Minister, said: "It has become clear to us and English Heritage, our professional advisers, that more than 500 valuable telephone boxes should be saved."

Telephone boxes will be selected for listing because of

their "special interest" and their contribution to social and economic history.

Most of those saved will be 1935 models, designed by Giles Gilbert Scott, and located in heritage and conservation areas or in attractive urban or rural settings.

In recent years, the traditional red telephone boxes have been phased out by British Telecom in favour of modern boxes, which require less maintenance and are more suitable for disabled users.

Meanwhile, trade has been brisk for the old boxes.

Edifices selected for listing cover curiosities from palaces to bus shelters, country cottages to stone crosses.

Small wonder a major US bank chose a British Steel-framed building for its new London head office. Today, steel looks as good on the costing sheet as it does on the designer's drawing.

Steel-framed buildings are also strong and faster to erect, and British Steel now holds its biggest share in the high-rise market for 50 years.

High-rise also describes what we've achieved in quality, reliability and customer service.

That's how we're backing Britain's industrial recovery.

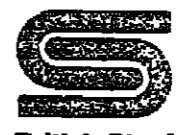
We're selling British Steel around the world. Steel arches for mines... zinc-coated steel sheet for cars... steel for industry, for transport, for the farm, for the home....

Easier said than done, when you consider that world steel supply exceeds world demand. But done, none the less. With a combination of hard work and hard sell.

We've moved from deep loss to rising profit. Only a few of the world's steelmakers have achieved this.

If you'd like to know more, write for our colour brochure to British Steel Information Services, 9 Albert Embankment, London SE1 7SN.

In shape for things to come



Exhibition group formed

BY DAVID CHURCHILL

A TRADE association, the Exhibition Industry Federation, has been formed to promote the growth of the exhibition business.

The move brings together for the first time venue owners, exhibition organisers and site contractors to help existing trade bodies to promote trade shows.

Mr Leonard Lickorish, chairman of the committee setting up the federation, said: "The exhibition industry attracts an annual spend of £600m and more from domestic and overseas visitors to events in this country, and there is a great deal more potential, especially from overseas, with resulting benefits to the UK."

UK NEWS - PARLIAMENT AND POLITICS

Hurd vows legal action against 'war criminals'

BY IVOR OWEN

FORMER NAZIS and others alleged to have been guilty of war crimes who now reside in Britain will be brought to trial, Mr Douglas Hurd, the Home Secretary, assured the Commons last night.

He ruled out the inclusion of specific amendments in the Criminal Justice Bill to provide for their extradition, but stressed: "This is not a matter which can be allowed to drop."

Mr Hurd explained that he had already discussed the issues involved with MPs in the all-party War Crimes Group and that more work needed to be done before firm proposals could be brought before the House.

He promised to announce how the Government intended to pursue the matter before the bill, already approved by the House of Lords, reached report stage.

Mr Hurd confirmed that in due course he would introduce proposals which permit account to be taken by courts of instances where an accused person's right to remain silent results in the prosecution being "ambushed" through the introduction of a hitherto undisclosed line of defence.

He contended that the right of a person to remain silent throughout police investigations and throughout a trial would remain, although the court would be entitled to draw "reasonable inferences" when a new line of defence was produced.

"More work needs to be done and this bill is not the right place for the provisions that will be needed," he said.

The Home Secretary also announced that an amendment to be introduced by the Government during the bill's committee stage would make it an offence to possess indecent photographs of children.

He maintained that child pornography victimised the children who were exploited by it, and fed instincts which gave rise to sexual abuse of children.

Mr Hurd said: "Offences of taking, showing and distributing indecent photographs already exist, but we are proposing to criminalise simple possession, in the hope of stamping out this degrading trade."

He claimed that the bill would reinforce the protection of the citizen and his family. Mr Roy Hattersley, Labour

deputy Leader and shadow Home Secretary, insisted that what Mr Hurd had described as steps to prevent the prosecution being "ambushed" amounted to a limitation on the right to silence and a further reduction of civil liberties.

Mr Hattersley forecast that the provision permitting appeals to be initiated by the Attorney General against unduly lenient sentences would lead to campaigns launched by tabloid newspapers being taken up from the Tory benches.

Then, he said, the Prime Minister would not allow the Attorney General to do anything other than appeal for a longer sentence.

Mr Hattersley argued that providing a right to appeal for the imposition of a longer sentence was wrong in principle because it placed the convicted person in jeopardy of being sentenced twice - and being forced to serve whichever was the most severe sentence.

He moved a reasoned amendment calling for the rejection of the bill on the grounds that it failed to address the fundamental question of equal rights under the law and equal access to the process of justice.

Poll tax jibes fail to upset Walker

By Tom Lynch

MR PETER WALKER, the Welsh Secretary, yesterday shrugged off Labour attempts to embarrass him over his unenthusiastic Commons speech last month on the proposed replacement of domestic rates with a flat-rate community charge, or poll tax.

Mr Ronald Davies (Lab, Caerphilly) said Labour had noted Mr Walker's "obvious displeasure and distress" when he opened the second day of the second reading debate on the Local Government Finance Bill. "When you went against your better judgment and voted for the bill, were you doing it to advance your own personal ambition or out of fear of the Prime Minister?"

To laughter, Mr Walker - the last "wet" still in the Cabinet whose move from the Energy Department to the Welsh Office after the general election was widely seen as a demotion - replied: "I think both, probably."

He said the poll tax would be a fairer and better system for Wales and he rejected Mr Davies's contention that every household in the poorest part of mid-Glamorgan would be worse off under the tax. Mr Walker said many one-parent families, widows and others carrying an unfair burden under the rating system would benefit.

Mr Alan Williams, the shadow Welsh Secretary, said the reform of the rating system would combine with other government policies to damage job prospects in the valleys. The impact of the poll tax and the revaluation leading to a uniform business rate would be twice as severe on small businesses as large ones.

Peter Riddell on why the Government is in a mess over health Moore in search of the right cure

TWO POINTS are clear about the current debate over the National Health Service. Additional money will be made available, and changes in the structure of the NHS. But it is still unclear how much, and when.

The Government is in a political mess over the NHS. It has been forced on the defensive over the past few weeks by a series of daily reports of ward closures, emotive stories about delays to operations to babies and pay disputes leading to concessions to medical staff.

The issue now dominates the television news bulletins almost every evening and has produced complaints even from the Tory tabloids about Mr John Moore, the Social Services Secretary.

Mr Moore is in an exposed position ahead of today's debate on the NHS. Just as he was over-praised last autumn as the bright new hope of the Thatcherites, now he is being criticised too heavily. He has always been better as an implementer rather than an initiator, as he showed when running the privatisation programme from 1982 to 1984. A friendly league points out: "John is fine when you point him in the right direction."

Other ministers are less kind. They feel he is the wrong man to be in charge of Health and Social Security and regard him as a lightweight, who is very much Mrs Thatcher's appointee and dependent on her. With little personal following he is thus easy to attack in the Commons and back-stabbing. Critics argue that he did not press strongly enough last autumn for additional NHS spending.

Mr Moore has only just returned from two months absence through illness. And he is not being pressed to take early action to seize the initiative not only by persistent critics but also by mainstream ministers and backbenchers.

The snag is that the Government does not appear to have a clear policy on funding of the NHS in the short term. The line from the top of the Government yesterday was that Mrs Thatcher - who saw Mr Moore for half-an-hour yesterday - stands right behind him all the way.



John Moore: can he restore the NHS - and his own prospects?

The official line - reflecting Mrs Thatcher's reluctant answers at Prime Minister's questions - is that the row is all contrived by the Opposition parties, the media and competing health service unions. Waiting lists have been reduced and many more patients are being treated. So there is no need for a formal review or a green paper. Instead, the priority is greater efficiency and value for money.

All this may be true, but it will not remove the political pressures. Privately, many ministers agree with the view of Mr John Biffen, the former Leader of the Commons, in last Thursday's debate that the Government has a choice to make. For the immediate future, there is no way that the public will be convinced that bed closures, ward closures or hospital closures are consistent with an adequate health service, even if the money is not available for extra spending as well as for tax cuts in view of City economists' estimates that the Chancellor may have £4bn, £5bn or even £11bn spare for

his March 15 Budget. Yet the Treasury is reluctant to pay up unconditionally. Mr John Major, the Chief Secretary, made plain at the end of last Thursday's debate that there are two agendas on the speech reflecting the imprint of Mrs Thatcher and Mr Nigel Lawson, he stressed the need to ask "some uncomfortable management questions of the NHS" - notably the marked increase in costs, length of stay and nurses' hours between different hospitals.

Mr Major emphasised that "those questions need an answer before we or the Opposition can know that shortage of funds is the problem. If the answers are unsatisfactory, the case for looking first to improve value for money becomes unanswerable." That is why the Treasury insisted upon a longer-term funding of the health service. Until last month senior ministers had regarded a fundamental restructuring of the health service as a question

for a possible fourth term. But now they are less sure. The issue has become more pressing.

Mrs Thatcher has herself ruled out some changes before the next election like hotel charges for hospital patients and she has been sceptical about health insurance proposals.

However, radical ideas of various kinds have attracted support not only from the younger free-market MPs, but also from more traditional Tories like Mr Biffen. In particular there has been a lot of interest, including apparently from Mrs Thatcher, in a short Centre for Policy Studies pamphlet by two former members of her Downing Street Policy Unit, Mr John Redwood, now MP for Wokingham, and Mr Oliver Letwin.

They have urged a series of changes, including the devolution of the NHS into an independent trust, and health care, with the long-term goal of a health insurance system. But, on their view, an immediate formal inquiry is needed.

Proposals which would have been considered taboo only a couple of months ago are now being openly canvassed. But while there is now widespread agreement among Tory MPs on the need for radical change, there is no consensus yet on the form of such change.

The Government's position is in many respects similar to that in education two years ago. Then the Government was also on the defensive following disruption and protests, and there was growing pressure by Conservatives for a fresh political impetus and for a radical change of policy.

The answer from a new Education Secretary, Mr Kenneth Baker, was to secure an extra £2bn or so from the Treasury to buy short-term peace in the schools and to provide a breathing space before proposals for a far-reaching shake-up in the school system were brought forward.

Mr Moore now faces a similar challenge, and opportunity. He will have to show that he has Baker's political skills both in winning money from the Treasury and in public advocacy if he is to regain the initiative.

Crockford's tradition reviewed

BY TOM LYNCH

THE COMMISSIONERS of the Church of England are to review the tradition of inviting a clergyman to write an anonymous preface to Crockford's Clerical Directory, the Church's official yearbook, MPs were told yesterday.

Mr Michael Alison (C, Selby), who answers for the Church Commissioners in the Commons, said the review was being carried out in view of the "exceptional controversy" over the preface to the current edition, which was widely interpreted as an attack on Dr Robert Runcie, the Archbishop of Canterbury.

Dr Gareth Bennett, the author of the preface, was later found dead in his car with a rubber tube leading to the exhaust.

Mr Harry Greenwood (C, Ealing North) urged the commissioners to give future authors the option of anonymity, which would be respected "in all circumstances."

However, Mr Frank Field (Lab, Birkenhead) said anonymity could lead to "unfortunate consequences" when the author was put in a position of having to tell lies to protect it.

Mr Robert Adley (C, Christchurch) said the focus of the controversy should be shifted

from the author's anonymity to the fact that "a handful of politically motivated bishops" were undermining the work of thousands of priests.

Mr Alison said controversy had always been a feature of the Christian religion. Dr Bennett's preface had been "well worth reading and writing."

He told MPs: "In the circumstances the Commissioners and the Central Board of Finance will be reviewing the arrangements to be made for future editions of Crockford's."

Mr Alison said Dr Bennett himself had praised the tradition of anonymity.



Listening leader: Neil Kinnock explaining yesterday how the party campaign to understand popular concerns will work

REVISED POLICY DOCUMENT FOR SOCIAL AND LIBERAL DEMOCRATIC PARTY

Specifics make way for general priorities

THE recast policy document designed to form the basis for the launch of the Social and Liberal Democratic Party, which was drawn up over the weekend by a six-man negotiating committee, is inevitably as interesting for its omissions as for what it includes.

The result appears to be more a statement of general goals, clearly designed to minimise objections, rather than the more specific document produced last week by Mr David Steel, the Liberal leader, and Mr Robert Maclean, his SDP opposite number.

Some Liberal MPs, who seemed satisfied with the document, were initially sceptical that the extraordinary events of the last few days could have been avoided if the two leaders had adopted a similar approach to their task.

The new policy statement, published yesterday, includes a joint, joint negotiations between the two parties late last night, says that a merged party intends to create a "starting point for the uniquely democratic, participative and consensual policy-making processes we have established for our members in our constitution".

It claims the purpose of the document is to highlight the shared beliefs and policies that have drawn the two parties together, while at the same time identifying the areas where early updating is most urgently required.

But in order to win a desperately-needed consensus within both parties, the revised document has made significant alterations to the controversial policy areas which led to the suspension of merger talks last week.

MICHAEL CASSELL on a document with some intriguing omissions

The document stresses the new party's commitment to "NHS" - a subject which also provoked arguments during the constitutional negotiations - and recalls the 1987 manifesto commitment that the Alliance would maintain, with whatever necessary modernisation, the British minimum nuclear deterrence until it could be negotiated away in the global arms reduction process.

It continues: "We also said we would cancel Trident because it was ill-conceived as a minimum deterrent as well as being assiduously 'expensive.' Unfortunately, we did not win that election. But the time of the next Trident will have been substantially paid for and will probably be ready to be deployed."

The new party will therefore need to decide how to reconcile these changes with the manifesto commitment to maintain our capability in the sense of freezing our capacity at a level no greater than that of the Polish system."

The document reiterates the joint commitment to an attack on poverty but excludes any references to the imposition of VAT on food, children's clothing or financial services. Neither is there any reference to phasing out mortgage interest relief, but merely to limiting it to the basic rate of income tax.

Instead, it says that one of the party's first priorities for the policy-making machinery would be to examine how to ensure that benefits and services reach those who need them most, and that the tax and social security systems be

"reformed accordingly". On civil nuclear power, upon which continuing research and development was sanctioned in the original document, the negotiators say that the climate for the issue has changed substantially in recent years. They say that, in Britain, the subject is "clouded by obsessive secrecy and by doubts and confusions concerning the future of the electricity industry and its impending privatisation."

The new statement continues: "There is no evidence to show that the private sector will wish to finance new nuclear capacity. Our 1987 judgment that 'we see no case for proceeding with the DFR (pressurised-water reactor) at Sizewell or other nuclear power stations at the present time' looks increasingly sound."

"We recognise that the Government will set the pace and direction for the nuclear industry into the 1990s, including research and development on the fast breeder reactor and nuclear fusion."

On housing, the document pledges the new party to offering "strong support to people renting and to those buying

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Whingeing Poms dig up penal colony past

THE ITEM on yesterday's Commons order paper seemed inoffensive enough. It was proposed that "an humble address" be approved to make a gift of a vice-regal chair to the new Parliament House in Canberra to mark the Australian bicentenary.

But memories of Botany Bay and the deportation of humble British working men and dissenters to the old penal colony immediately struck a sensitive chord among the Frontbenches on the Labour benches.

The exchanges became so excitable that one could have been forgiven for mistakingly assuming that some had been sinking a few tabs of the amber liquid.

This would, however, have been rather difficult as the bare in the Commons do not serve Fosters or any other Aussie beer. Only beers from the European Community are provided.

All this dwelling on the transportation of the original convicts seemed to provoke some nervousness on the Tory benches. There was one suggestion that the lady in Number 10 might see this as a useful way of disposing of dissenters in her own party, particularly the 50 Tory rebels who defied the three-line whip on the Protection of Official Information Bill last Friday.

The formal occasions are usually approved on the nod with a few gracious words from both sides of the House. But this time Labour's shadow Leader of the House, Frank Dobson, launched into a tirade, recalling the destruction of the Aborigines' way of life and the disgusting way in which British citizens had been dumped in Australia. Anyway, he wished Australians well even though as a boy he had thought of them



as a group wearing funny green caps and led by Don Bradman.

Now he recognised that they were making a civilised contribution not just to sport, but to art and literature (cry from the Tory benches "And Lager").

My best wishes will be made that more sincere by the knowledge that Mr Rupert Murdoch is now an American citizen," he concluded.

That noted, Liverpool radical Eric Heffer was not to be left behind on such an occasion. He gave us an his-

torical disquisition on the rights of the Aborigines and wanted this to be taken note of in the motion. They had been living in Australia for 40,000 years, say, some archaeologists now thought it was 100,000 years.

Bored Tories mumbled that it felt that his speech had been going on for a similar length of time - an irrelevant suggestion that provoked a furious counterblast from Eric about the lack of consensus on the benches opposite.

Naturally, nobody was surprised when Labour's Tam Dalyell, that thorn in the side of successive governments, proudly declared that some of his dissenting ancestors had been transported and that there were now more Dalyells in the Sydney and Melbourne telephone directories than in the Edinburgh and Glasgow ones.

But left-winger Tony Banks, who in the past has shown a curious obsession with parrots and great turtles, was more concerned with the Australian attitude to life. They were, he complained, shooting kangaroos and from helicopters. Elephants in Australia!

This mystery was cleared up when Eric Heffer tried to force a vote on the motion. Banks rose on a point of order and the traditional top hat, which has to be donned on these occasions, was thrown to him. He wanted to put the record straight. It had been drawn to his attention that there were no elephants in Australia.

In the end, the division was called off and the motion approved. The government whip would have given a XXXX for anything else. JOHN HUNT

Peer's 'protest' defeats Government

THE decision of a peer to call a vote yesterday in "sheer protest" at the growth of the use of regulations to govern, led to an embarrassing first defeat of the session for the Government in the Lords - by a two-vote margin.

The 94-to-92 votes defeat came over the Government's proposal to give the Lord Chancellor, Lord Maclean, and not parliament, power to lay down in regulations which categories should be allowed legal advice and assistance under the Green

Form Scheme. During the committee stage of the Legal Aid Bill, Lord Maclean, Labour's Home Office spokesman, told peers: "Because you are made powerless on a matter that affects so many of our citizens, I shall sheer protest about the legislative procedure, ask the House to give a verdict."

He said the Government proposals, which would cause injustice and hardship in some cases, would mean advice and assistance would no longer be

available for making a will or conveyancing. His amendment, approved by the House, was intended to make the service comprehensive.

When the Lord Chancellor, by regulation, laid down categories covered by the scheme, parliament would be unable to make amendments, he complained.

The Lord Chancellor said that it was aimed to prevent duplication under the Green Form Scheme, through the use of regulations.

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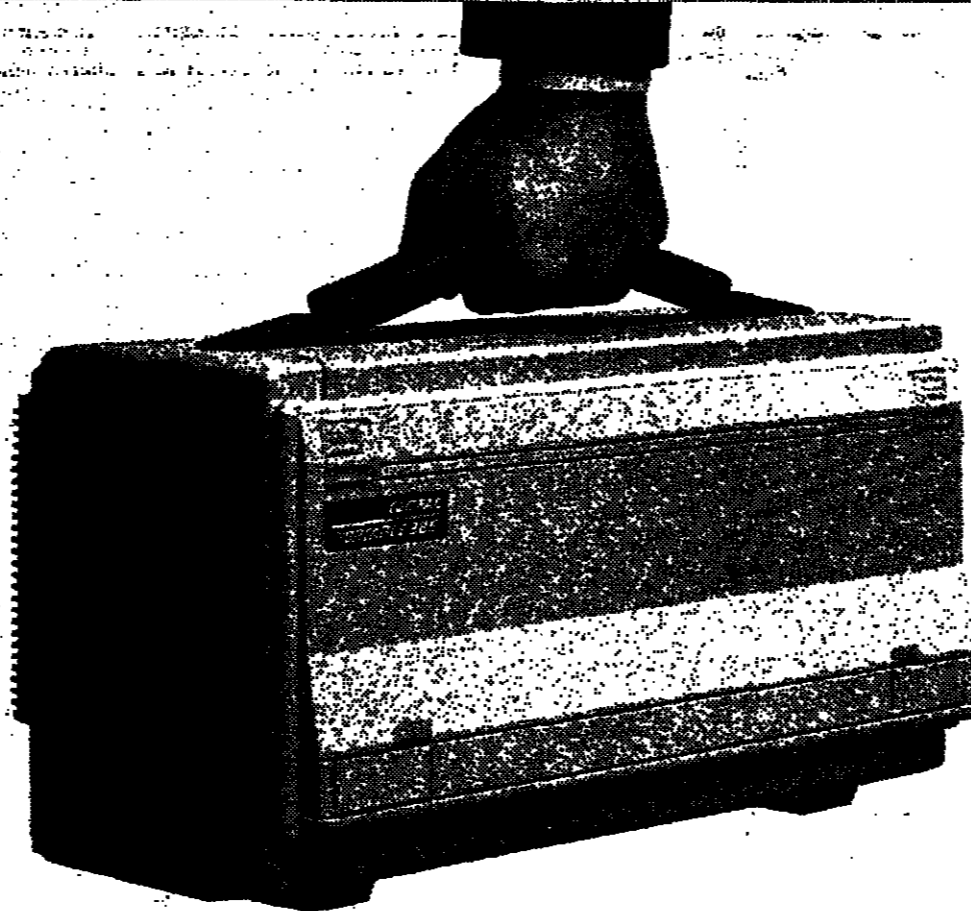
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MANAGEMENT: Small Business

ERIC HEARN, managing director of Atlas Management, a Birkenhead-based manufacturer of identity labels, spent 2½ years trying to make a sale to the Ministry of Defence.

"It was an impossible organisation to approach," Hearn recalls. "We kept on writing to them but we couldn't break in anywhere."

The breakthrough finally came, Hearn says, when he met Errol Grieve, head of the MoD's Small Firms Initiative, at a roadshow organised by his local chamber of commerce. The initiative is a seven-strong team in the MoD's procurement department set up in November 1986 to make the ministry more accessible to small suppliers.

After that meeting, departments in the MoD suddenly became much more responsive and Hearn finally located the buyer he needed among the 1,200 employed by the ministry. Atlas, with a workforce of only seven and turnover of £250,000 a year, has sold just one system for labelling uniforms to a naval training establishment, HMS Raleigh, but Hearn has high hopes of more orders to come.

Atlas has benefited from government attempts to reduce spending by making it easier for small firms to compete in the supply of equipment and services. The business is worth chasing for the sums involved are large. The Ministry of Defence spends about £6bn a year, much of it on new technologies, while the National Health Service dispenses £3.5bn on anything from dialysis machines to babies' dummies.

For many small firms, attempting to do business with the large government department or even the large commercial company can be a nightmare. The small man often does not know whom to approach; the quality control standards of the large organisations may be tougher than his is used to; and handling the paperwork can be daunting.

"The first problem is knowing where to start," says Andy Scott, deputy director of the CBI's small business unit. "The bigger the organisation the more difficult it is. Horror stories abound of excessive bureaucracy."

A survey of defence sector procurement carried out in 1985 by Julian Forrester for Tidea Management Consultants concluded: "The number of small firms competing in the market could be doubled if relatively simple measures



Eric Hearn persevered for 2½ years to get through to the MoD

The best form of attacking Defence

Charles Batchelor on government moves to widen its supply net

were taken to identify relevant buyers and technical staff within the prime defence contractors."

Simple inertia meant that for many years government buyers were content to do business with long-term suppliers and little or no effort was put into developing new contacts. Small companies with products which departments bought through open tenders were often put off by the costs of putting in a competitive bid.

Even before a company can tender for a job its manufacturing procedures will have to comply with the tough standards demanded by government departments or large companies.

While payments from government should not be a problem - departments or agencies usually have no commercial motive for delaying the settlement of bills - if an invoice gets lost or misses a computer run, sorting out the bureaucratic muddle can take months.

But hatching the big boys for their failings is only half the story. Small companies often make little attempt to understand how big organisations work or adapt their approach to win an order.

Nor are small firms always very flexible about matters

such as payment terms. Small suppliers frequently react with suspicion if they are offered immediate cash payment in return for a discount on the order price - a common commercial practice, reports Ron McGeehan, divisional purchasing manager for the Mersey Regional Health Authority.

But help is at hand in a growing number of initiatives to guide small firms. The MoD's small firms initiative has led to contact with more than 2,600 small firms. "In the past people applied on their own initiative to become registered contractors," notes Grieve.

"Now we go out and look for companies. We distribute information through the chambers of commerce and the enterprise agencies and we also attend defence equipment exhibitions." Small companies accounted for 13 per cent of the ministry's equipment spend in 1986-87 though they took a bigger share through sub-contracting work for prime contractors.

The MoD also runs a Small Firms Research Initiative intended to help smaller businesses get more of the R & D contracts traditionally dominated by the big concerns. Thirty-two companies were awarded contracts worth

£1.1m in the first round though the amounts involved are tiny compared with MoD's annual R & D spend of £160m.

Prime mover in the Government's attempts to diversify its sources of supply is the Central Unit on Purchasing, a Treasury department set up in July 1985 to help government departments get better value for money.

Mike Willacy, a former general manager at Shell UK and head of the unit, says he is keen to promote small firms. "Government departments have been inclined to take the easy way out," he says. "They will go to a central government agency, write out an order for delivery to Inverness or Truro and wash their hands of it."

Small firms, by contrast, can provide local delivery, faster service and break up any tendency among large established suppliers to carve up the market to their own advantage, he says.

The National Health Service set up a Procurement Directorate in January 1985 to encourage improvements in purchasing policy to the 14 regional health authorities. It is keen to promote regional centres of responsibility - the northern region, for example, specialises in textiles and disposable items - and to

develop better ways of comparing prices by the NHS and other organisations. Despite the improvements that have been made there is still a long way to go. Many government departments have done little to monitor their purchasing activities in the past and only half the 40 departments surveyed by the Central Unit on Purchasing could estimate the contribution by small firms.

Government aid

Consultancy spread wider

Charles Batchelor explains where to look for extra funds

THE ENTERPRISE Initiative announced last week by Lord Young, the Enterprise Secretary, promises a brave new world for Britain's smaller companies. Little in the proposals is really new, but the Government has provided much more money for a number of well-proven ideas, such as the subsidy of management consultancy.

The initiative attempts to overcome a particular hurdle facing any government attempt to get closer to small business. In the past the small business owner has distrusted Whitehall as a source of finance or advice, convinced that civil servants do not understand his problems and that any help will be tied up in red tape.

The decision to create a network of offices around the country to provide counselling and, if required, referral to a professional management consultant, should overcome this reluctance to deal with government directly.

This network of offices - 27 new ones are planned alongside the Department of Enterprise's existing seven regional offices - will also add the existing range of services available to small firms through the 300-plus Enterprise Agencies and the 10 Small Firms Service offices run by the Department of Employment.

Will the small businessman know where to go for advice? The answer is that the start-up or early-stage company in need of advice should approach its local enterprise agency or Small Firms Service office.

The enterprise agencies provide advice in an informal manner while the Small Firms offices give three sessions of free counselling followed by up to 10 further sessions at £30 each.

The larger company which is already established but wants to expand should apply to an enterprise counsellor in one of the Department of Trade and Industry offices. Many of the new "satellite offices" will be based in enterprise agencies or chambers of commerce.

The new enterprise counsellors will give two days of free advice and assessment. If

they think the problem justifies it they will recommend the use of professional management consultants. The government will meet half of the cost of advice for up to 15 days though the subsidy rises to two-thirds in the assisted and urban programme areas.

If the businessman is not quite sure to which office to apply, he should approach either one. He will then be referred to the appropriate local office. This referral involves a simple form giving details of name and address. The form will be sent to the local office which is best suited to deal with the case and its staff will make contact with the businessman.

A problem, which will undoubtedly arise is whether enough new enterprise counsellors of sufficient quality can be found. The Small Firms Service already has more than 900 of its own counsellors in England dealing with 25,000 cases a year.

The number of qualified businessmen who are not already involved in running their own business or who retain, in retirement, the ability to solve the problems of small business, is clearly limited. There are already plans to use some of the Small Firms counsellors in the enterprise counselling programme.

There is also the question of whether there are enough management consultants available with an understanding of the special problems of small business to supply the 1,000 consultancy projects Lord Young envisages will take place each month over the next few years.

That said, the idea of providing subsidised consultancy advice is likely to prove very popular. The Support for Marketing scheme launched in September 1986 met with such demand that the government was forced to more than double the £2.5m initially allocated to it.

Marketing is one of the four specialist areas previously covered by subsidised consultancy schemes to be picked up by the enterprise initiative. The others are design, quality management and manufacturing methods and systems.

The sorts of problems the marketing consultants will look at include market studies to see how customers' demands are changing and examinations of pricing, distribution and after-sales service.

The design consultants, for example, might look at areas such as design for efficient production, materials selection and product safety.

Two new areas of consultancy advice will be introduced in April. They are business planning, to help companies control costs, lift profits and raise new finance, and financial and information systems to allow companies to improve budget and financial control, maintain accounting records and decide on their computer and software needs.

Lord Young also promises a reorganisation of the British Overseas Trade Board better to reflect exporters' needs. The BOTB last year announced a revamp of its service to provide more targeted advice to the non-exporter and to call on outside exporting expertise so it is difficult to see what it still needs to be done. A DTI spokeswoman described the plan as "a repackaging" of the existing programme.

One part of the enterprise initiative which may make an impact only in the long term is a plan to encourage teachers to gain commercial work experience. Various programmes to expose school children and undergraduates to the idea of self-employment have been tried in recent years but teachers are frequently unenthusiastic about schemes which involve pupils running their own mini-businesses.

Further information from DTI offices in Newcastle-upon-Tyne, Manchester, Leeds, Nottingham, Birmingham, London and Bristol, the Scottish Office in Glasgow and the Welsh Office in Cardiff. Or ring Enterprise Initiative on Freephone 0800 500 200.

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Microcomputer (MS-DOS) (MS-21 AQAP 1) has surplus capacity following contract of five million copies. Quality image and reliable design. Photocopy small book work using proven.

Write Box F7887, Financial Times, 10 Cannon Street, London, EC4P 4BY

INVESTOR WANTED

With £200k available for 50% equity participation in a new New York Based. Computer already owned. Strong and long established programme of ongoing research projects for ongoing year.

Contact: John Bailey, Box F7888, Financial Times, 10 Cannon Street, London, EC4P 4BY. Tel: 0204 533409

UK Distributors required for incoming US computer, user interface and communications products.

Visits arranged to Box F7887, Financial Times, 10 Cannon Street, London, EC4P 4BY

COMMERCIAL MORTGAGES

EXCLUSIVE FACILITY Available to profitable Companies. Audited accounts not essential. We visit you and indicate on the spot your eligibility for a loan (min. £50,000). Competitive interest rates.

Redcliffe Associates Corporate Finance Ltd, 92C Whitechapel Road, London E1 1BB. Tel: 0272 743710/743535

INSURANCE BROKING & FINANCIAL SERVICES

Equity Investment of £250,000 sought for Hampshire Company requiring funds for expansion.

Write Box F7894, Financial Times, 10 Cannon Street, London EC4P 4BY

ESTABLISHED BROKER

seeks lessor who specialises in HP for its personal & corporate clients.

Write Box F7895, Financial Times, 10 Cannon Street, London EC4P 4BY.

Hotel Development

Entrepreneurs seek private/institutional equity capital (over £250k) as part funding for prestigious 4 Star Country House development in Home Counties area. Participatory or not. Principals only.

Write Box F7897, Financial Times, 10 Cannon Street, London EC4P 4BY

ELECTRONIC MANUFACTURING

Fully equipped facility proven built for high volume, high quality, medium volume manufacture in desirable area for sale.

Write Box F7898, Financial Times, 10 Cannon Street, London, EC4P 4BY

FLORIDA

Commercial land investment in high growth area. Participant sought for small business plan and eventual resale. \$24,000 down payment. Full details:

Parsons Landco, 30 Dear Street, London W1X 6EX. Tel: 01-493 2166

PRIVATE INVESTOR

wishes to acquire an equity stake in a company with real growth prospects. Ample funds and, if required, financial expertise available. Share-up investment also considered.

Reply to Box F7899, Financial Times, 10 Cannon Street, London, EC4P 4BY

OTHER MARKETS POTENTIALLY AVAILABLE: - our Company is looking for investors in UK to January, Oct 07-07-07-12

Business opportunities in Canada - our Company is looking for investors in Canada to January, Oct 07-07-12

Businesses For Sale

Aero Offset Reproductions Ltd.

The Joint Administrative Receivers offer for sale the business and assets of this specialist in high quality four colour reproduction based at Eastleigh, Hants.

Turnover approximately £750,000 p.a. Assets for sale include leasehold premises, modern reproduction equipment, printing stock and an extensive customer list.

Further information may be obtained from G.A. Auger, FCCA, Joint Administrative Receiver, Ref TD/TM.

Stoy Hayward

A Member of Harwell & Harwell International ACCOUNTANTS BUSINESS ADVISERS MANAGEMENT CONSULTANTS 8 BAKER STREET, LONDON W1M 1DA. TELEPHONE 01-896 8888

CHESHAM. BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

Chesham are the leading merger brokers in Britain and have confidential briefs from several hundred public company chairmen, who are looking to buy successful, private companies worth £50,000 to £25m.

If you're thinking of selling your business, contact our Managing Director to arrange a confidential discussion.

CHESHAM AMALGAMATIONS

The first name in merger broking. Andley House, 9 North Andley Street, London, W1Y 1WE. Telephone: 01-625917.

LIGHT FANTASTIC

Radlett, Hertfordshire

The Joint Administrative Receivers of Lumi-Low Limited (via Light Fantastic) offer for sale, as a going concern, the business and assets of Light Fantastic, a retail lighting shop.

- The principal assets include:
 - * Excellent established specialist retail lighting unit
 - * Prime position leasehold premises
 - * Self contained private or office accommodation above shop
 - * Good off and storage facilities
 - * Turnover £100,000 approx.
 - * Stocks £4000 N.B.V.

For further information please contact the Joint Administrative Receiver: J. A. G. Alexander, Esq.

KPMG Peat Marwick McLintock

1 Puddle Dock, Blackfriars, London EC4V 3PD Telephone: (01) 236 8000. Telex: 8811541

Transquip Limited For Sale is a Going Concern

Designers and manufacturers of aircraft containers

- * Both civil and military
- * Full CAA and IATA approval
- * Based at Filton, Middlesex
- * Turnover/£31.12.87 approx £1.7m

Further information may be obtained from the Administrative Receiver, R. Hocking FCCA (reference: PMS).

Stoy Hayward

A Member of Harwell & Harwell International ACCOUNTANTS BUSINESS ADVISERS MANAGEMENT CONSULTANTS 8 BAKER STREET, LONDON W1M 1DA. TELEPHONE 01-896 8888

DEFENSE CONTRACTOR - USA

Manufacturer of specialty fittings for nuclear submarines and S-Sub Gships for U.S. Navy. Fittings manufactured in CUNNINGHAM, Monel, Inconel 625. Located on West Coast. Profitable annual sales of \$5 million. Contact U.K. agent to arrange for meetings with U.S.A. chairman in London February 1 thru 5, 1988.

Contact: Mr Frank P Murphy, Dynamic Controls Ltd, Royton, Gt. Ham. Tel: 061-633-3533 or Fax 061-633-4113

WATFORD MOTORISTS FACTOR LIMITED (IN RECEIVERSHIP)

The business and assets of this Watford based motor spares dealer are for sale via receiver M P K Mearns.

- (1) Leasehold property comprising of bonded and non bonded warehousing.
 - (2) Stocked goods.
- Contact: M P K Mearns-Lucky 76/80 College Road, Harrow, Middlesex HA1 1BX Telephone: 01 861 3648 Telex: 916760 Fax: 01 861 3676

MERL'S CHARTERED ACCOUNTANTS

Lakeland Borders Holiday Park

The holiday park business of Border Developments Limited (in receivership) is available for sale as a going concern.

- Assets include:
 - * 132 acre freehold site at Silloth, Cumbria (approx. 20 miles north of Keswick)
 - * Central complex including pub, night club and family facilities
 - * Heated swimming pool
 - * 86 letting chalets
 - * 70 caravan hire fleet
 - * Licence for 500 static caravans; approx. 285 privately owned on-site
 - * Licence for 600 touring caravans
 - * Fully occupied residential mobile home park; 50 pitches

Enquiries to: A. E. James, Price Waterhouse, San Alliance House, 35 Moyley Street, Newcastle upon Tyne NE98 1PL. Telephone: (091) 2328483, Telex 537222, Teleprinter (091) 261 9490.

Price Waterhouse

IMPORTERS AND WHOLESALERS OF DRIED FLOWERS

NORTH LONDON
The Business and Assets of Dutch Touch Ltd Trading as The Flowering Dutchman are available for Sale as a going concern.

- Principal features comprise:
 - * Leasehold Premises
 - * Substantial Stock of Dried Flowers
 - * Annual turnover of approximately £400,000

For further details please contact: Joint Administrative Receiver of Dutch Touch Ltd, Roger Oldfield

KPMG Peat Marwick McLintock

1 Puddle Dock, Blackfriars, London EC4V 3PD Telephone: (01) 236 8000 Telex: 8811541

LUMI-LOW LIMITED

The Joint Administrative Receivers offer for sale the business and assets of Lumi-Low Limited as a going concern. The company's principal product is the "Lumidrive C", an adaptor designed to allow fitting low energy lamps to conventional light sockets.

- The principal assets include:
 - * Sound product base
 - * Innovative products
 - * Specialised tools and equipment
 - * Good customer list
 - * Turnover £750,000 approx.
 - * Stocks £275,000 N.B.V.
 - * Registered trade names

For further information please contact the Joint Administrative Receiver: J. A. G. Alexander, Esq.

KPMG Peat Marwick McLintock

1 Puddle Dock, Blackfriars, London EC4V 3PD Telephone: (01) 236 8000. Telex: 8811541

British Railways Board have announced their intention to consider offers for the

Vale of Rhaidol Railway

The last steam-hauled narrow gauge railway in the ownership of British Rail

Lazard Brothers & Co., Limited has been appointed by British Railways Board to advise on the sale

For further information please contact: Lazard Brothers & Co., Limited, 21 Monckfields, London EC2P 2HT Telephone: (01) 588 2721 for the attention of Michael Roberts, Director

BUSINESS FOR SALE DUE TO THE IMPENDING RETIREMENT OF THE OWNERS

- * Niche Market designing and producing Factory Automation Equipment
- * T/O £1 Million +
- * Blue Chip Customer Base
- * Assets for sale include Modern Plant and Machinery Stock, W-P and Intellectual Assets
- * Loyal and experienced team of twenty-three Employees
- * South-East location
- * Potential for substantial profits given young and vigorous management

For further details contact: N A Scheffeld, Reynolds House, 59/51 High Holborn London WC1V 6EG Tel: 01-495 8411 Telex: 8973377 Fax: 01-495 9772

HENRY BUTCHER

£646,000 Net Profit before tax

Owing to ill health of Company Director, 48% share for sale in prosperous, and long established manufacturing Company allied to the Construction Industry.

Turnover and profits for first quarter of this financial year ahead of last years figures. Possibility of a 50% holding in the future. Offers over £1.3 million.

Reply to Box H2991, Financial Times, 10 Cannon Street, London EC4P 4BY

HIGH QUALITY KITCHEN AND BATHROOM RETAILER

FOR SALE AS A GOING CONCERN
The business and assets of a company specialising in high quality kitchen and bathroom fitting are available for sale as a going concern. The business for sale is a division of a subsidiary of a public company wishing to dispose of a non-core business. The company operates from prime site premises in Bristol.

- * turnover approximately £400,000 p.a.
- * 10 employees, including installation team
- * leasehold shop premises together with warehousing facilities
- * designed supplier for household name brands

All enquiries should be addressed to:
NW Bristol FCA Coopers & Lybrand 88 Queen Square Bristol BS1 4AP Tel: 0272 282781 Telex: 448882 Fax: 0272 367008

FOR SALE

Mechanical and structural Engineering company. Established over 20 yrs. Situated on major North Wales industrial estate having substantial freehold property and 10 acre site. The company operates from its own Fabrication Shop and on major sites in the following areas of production and erection.

- a) Structural Steel
- b) Construction of Tanks, Vessels and Associated Piping.
- c) General Fabrication.

Turnover in current year £3m. Profit Profit £250K.

The Company was taken over in February 1987 and the Directors believe that the involvement of a larger organisation in Civil or Mechanical Engineering will enable it to realise its full potential.

Enquiries to: Box H2973, Financial Times, 10 Cannon Street, London, EC4P 4BY.

FOR SALE

Long established, highly profitable service organisation dealing with electronics equipment, from industrial computers to audio/visual. The business, situated in the northern home counties, has considerable growth potential with the technical skills and goodwill to enable it to enter new areas in the electronic equipment field.

A price in the region of £750,000 is anticipated.

Write Box H2978, Financial Times, 10 Cannon Street, London EC4P 4BY

PROFITABLE INDUSTRIAL AND LEISURE CLOTHING MANUFACTURING BUSINESS FOR SALE

Operating from two UK sites with 150 operatives. The main customer profile is Government and Utility users with long term contracts. The annual turnover is £2 million with a current order book of £700,000. Offers below £500,000 will not be considered.

For further details please write to: M.J.G. Bates - Chartered Accountant, (Ref PBR 150), 110 Bradford Street, Birmingham B12 6NS

ROLLER SHUTTER MANUFACTURER

Based in East London. Easy access to M25 T/O £300K p.a. with capability for expansion. For sale as going concern.

Principals only reply to Box H2987, Financial Times, 10 Cannon Street, London EC4P 4BY

BUSY GARAGE, PETROL AND MOT STATION CAR SALES AND REPAIRS WITH NISSAN FRANCHISE

This expanding business is being sold owing to a sudden death of the major shareholder/director. Freehold site with 4 bedrooms, beautiful bungalow situated on the main road in expanding North Essex village.

Interested principals only contact: Subhash Thakur, Partner Blackwood & Co. Chartered Accountants 388-394 Oxford Street, London, W1N 9HE. Tel: 491-6224

OPPORTUNITY FOR AN EXCELLENT RETURN ON INVESTMENT. WEST GERMAN ENGINEERING FIRM FOR SALE

The company in question is specialised in drive and control systems, well established, above-average potential for expansion, protected trademark, solid, annual turnover of about 6 million West German marks, profit before corporation tax of about 1 million marks, managing director's salary 250,000 marks.

Address requests for further information to Box H2983, Financial Times, 10 Cannon Street, London EC4P 4BY

HUNTLEY & PARTNERS

FULLY LIC. MOTEL & SPORTS CENTRE
Elevated position, overlooking picturesque valley & E. Devon coast. 26 solid units, bar, restaurant, reception area, Olympic standard sports hall & gymnasium, pit, outdoor heated swimming pool, solarium, sun, owners luxury 5 bedroom house in approx. 5.5 acres. Potential to expand. T/O approx. £200,000 p.a. G.P. approx. £155,000 p.a. FREEHOLD 2004/99 1.57 48 Mabley Place, Plymouth PL4 6LE Tel: (0752) 262321

DIVERCO SELLERS and BUYERS

Contact in confidence: DIVERCO LTD. 4 Bank Street, Worcester WR1 2EW. Tel: 0905 22303

FOR SALE

TO BE SOLD AS ONE UNIT BUT WILL CONSIDER A SPLIT SALE

- A superbly equipped 400 sq. ft. double length unit including kitchen and living areas, with TV, audio, stereo, central heating, 200 sq. ft. parking space, situated on 7.5 acre plot 300 ft. from main road.
- The unit is in excellent condition, well equipped with modern furniture and fittings, including a full kitchen, living area, and bathroom. It is situated on a plot with the possibility of expanding.

No HGV license required for either party. A profitable business which could be sold - possibly for the price of the unit.

For further details and price on application Telephone 02525-254

PLC Non-Core Activity

Assets available for sale concerning manufacture of established precision measurement product. Turnover level currently £250,000 p.a. good margins, high export content. Principals only apply

Box No H2986, Financial Times, 10 Cannon Street, London, EC4P 4BY.

Office Equipment

QUANTITY OF NEW AND NEARLY NEW REDUNDANT OFFICE FURNITURE

Light Oak Desks/Screens/Light Oak Table/ Clerical Chairs/Executive Desks/Filing Cabinets/Sapele Desks

Telephone: 01-549 9339

SPECULATIVE DEVELOPMENT PROPOSITION

Half-Acre Prime Riverside Development Land, Central London.
Planning Difficulties.
For Sale, Offer in region of £150,000.
Alternatively, might consider joint venture with established developer.
Please reply to Box H2988, Financial Times, 10 Cannon Street, London, EC4P 4BY

INVESTMENT PORTFOLIO OF 3 FREEHOLD U.K. SEASIDE HOTELS

Total 124 Bedrooms. Let to operating companies on FRI leases. Current annual rent roll of £83,000. For Sale. Offers in region of £600,000
Reply in confidence to Box H2889, Financial Times, 10 Cannon Street, London EC4P 4BY

LONG LEASEHOLD INVESTMENT PROPERTY

1400 Sq. Ft. Docklands Flat Prime Wapping Location Let to public company convenient at annual rental of £17,500.
Offers in excess of £165,000
For details, reply to Box H2983, Financial Times, 10 Cannon Street, London, EC4P 4BY

SPAIN

We have been commissioned to dispose of a very successful DISCOPUS situated in Benahavilla Costa, Malaga. Custom designed 2 years ago and enjoying local and tourist success. Turnover £125,000. Increased purchases should contact: JAMES WILSON OVERSEAS LIMITED, 1, Milldown Rd, Cottingham, York YO8 0BA. Associates: Malaga, Spain, S. Africa.

KNITWEAR MANUFACTURER FOR SALE SOUTHERN SCOTLAND

Well established in modern factory and good machinery base. T/O circa £500,000 p.a.
Write Box H2996, Financial Times, 10 Cannon Street, London, EC4P 4BY

COMPANY FOR SALE

Allied to Furniture Trade 1988 projected turnover £2m Pre-tax profits circa £250k Offers in excess of £1.5m invited
Write to Box H2988, Financial Times, 10 Cannon Street, London EC4P 4BY

Busy West Sussex Town

Lucrative period style furniture business - retail - occupying spacious Georgian galleries - city centre. Accounts available for inspection - long lease - for sale with fixtures. Fittings. Goodwill etc. £130,000 S.A.V.
Full particulars apply to Box H2975, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE

Processors and packers of edible oils and allied products. Modern, fully equipped and operational plant together with favourable lease in development grant area. Premium brand names, trade marks and extensive customer list available.
Write Box H2969, Financial Times, 10 Cannon Street, London EC4P 4BY

Profitable Texas Supplier Of Framed Art To Major USA Hotels

For Details Concerning Group PO Box 13558, Austin, TX 78711 USA TLX: 376 480, FAX: (512) 499 0010

Printed Circuit Manufacturing Company For Sale

£750,000 annual turnover. West of London. Donnan, 51 Meldreth Road, Shepperton, Uxbridge, Herts. Tel: (0763) 61372

TRAVEL AGENTS

Well established North of England Multiple for sale. ABTA/IATA T/O exceeds £6m Principals only please.
Box H2985, Financial Times, 10 Cannon Street, London, EC4P 4BY.

WONDERFUL OPPORTUNITY

To purchase a Top West End Art Gallery. Financially very successful. Long lease. Principals only need apply to: Box H2971, Financial Times, 10 Cannon Street, London EC4P 4BY

PLC wishes to divest of subsidiary with ELECTRONIC SECURITY PRODUCT

(in full production) in order to concentrate on mainstream activities
Write Box H2982, Financial Times, 10 Cannon Street, London, EC4P 4BY

WEST COAST

Small cost Wax Precision Investment Foundry for immediate sale. Turnover of £500,000 p.a. expected. All enquiries welcome.
Write Box H2984, Financial Times, 10 Cannon Street, London EC4P 4BY

Polythene Manufacturing Company For Sale

Well established, profitable business, with turnover of £1,200,000 P.A. Situated in South London Metropolitan area.
Principals only: Write Box H2965, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE TYPE-SETTING BUSINESS

Excellent publications and connections Peterborough area. Goodwill and equipment £50,000.
Reply to Box H2977, Financial Times, 10 Cannon Street, London EC4P 4BY

ARE YOU A MANUFACTURING COMPANY with marketing ability, looking for your own product? Then call Nicholas Barman at Investors Link Ltd for information on our Investor Register. 0208 84141

COSTA BLANCA MAGAZINE Unique opportunity to purchase a well established UK company specialising in the sale of properties on the Costa Blanca through its own magazine. Transnational potential for expansion. For further information Tel: 01-731 8851.

Businesses Wanted

COMPANIES WANTED

Our client, an overseas buyer, urgently requires companies which-

- Have a turnover between £1-10 million,
- Have their own product range,
- Are well established.

Negotiations will be completed without delay.

Replies in writing, should include all relevant information and in the first instance should be addressed to:-

I. Jennings Esq.
Messrs. Milne Booth
Chartered Accountants
6, Park Square,
LEEDS,
LS1 2LX.

All replies will be treated with utmost confidentiality.

PUBLIC COMPANY URGENTLY SEEKS U.K.AQUISITION

Established Public Company seeks the acquisition of a U.K. business consisting of or most of the following characteristics-

- (i) pre-tax profits between £200,000 and £500,000 p.a.;
- (ii) continuance of existing management preferred but not essential;
- (iii) manufacture, assembly or distribution of medium-tech products;
- (iv) suitability for export preferred but not essential.

Payment and other terms can be tailor-made to Vendor's requirements.

Please reply in strictest confidence to:
The Chairman
2 Post Street
London SW1X 9EL

MANUFACTURING INDUSTRY CAPITAL AND MANAGEMENT AVAILABLE

Our clients, based in the West Midlands, have successfully secured a manufacturing business which is now being profitably expanded. They are looking for acquirers or for Companies requiring capital injection where their proven expertise can be used to restore business health. Location should be West Midlands/North West.

Apply to: Mynford Trust Limited, Cheshire House, 16-20 Booth Street, MANCHESTER, M2 4AN For the attention of Mr. P.E. Webster

Businesses Wanted

WANTED HEALTH CARE COMPANY/ PRODUCT RANGE

Leading OTC Pharmaceutical and Toiletries Manufacturer is seeking an Acquisition in the Health Care Market. We are interested in Companies or Product Ranges with Established Sales Volumes in the Healthcare Sector. Brand Names Products would be preferred. Please write in the first instance to: Box H2976, Financial Times, 10 Cannon Street, London EC4P 4BY

REMOVALS/STORAGE/ DISTRIBUTION

A London-based storage company is currently seeking to acquire businesses in either of the following sectors: REMOVALS & STORAGE STORAGE & DISTRIBUTION Must be profitable. Please write in confidence to Box H2918, Financial Times, 10 Cannon Street, London, EC4P 4BY

Retail Group Required

Fashion or footwear favoured. The Managing Director of nationally famous retail plc seeks to invest substantial resources in an established group. Write in strictest confidence to the Managing Director, Camion Holdings Ltd, 25 Park Road, London NW1 6XN.

Burlington Investments Ltd.

(Licensed Dealer in Securities and specialist in merger broking) has been retained by a quoted P.L.C. who wish to acquire agencies/distribution companies involved in active or passive electronic components distribution, including surface mounted devices. Principals only should apply to:- I.F. Jamieson C.A., M.C.T. Managing Director, 25/28 Old Burlington Street, London W1X 1LB Tel: 01-439 8411 Fax: 01-439 1879

TRANSPORT COMPANIES WANTED

We act for a major PLC which wishes to expand its UK transport operations. Strong companies involved in national or regional distribution and warehousing would be preferred, particularly in Yorkshire and the North East. Contract hire and tanker operations also of interest. Please reply, in strictest confidence, to Robert Yorke Yorke Business Development Consultants, Silver Birch, Beahurst Hill, Hichingfield, Herts, Hemel Hempstead, Herts. SG9 6JH. Tel: 0463-795500

PIGMENT DISPERSIONS

A P.L.C. with an impressive record of profitable growth and with widespread overseas interests wishes to acquire companies involved in the manufacture or sale of pigment dispersions. Continuity of employment for existing owners and employees will be encouraged with opportunities for further development within the group. Companies or intermediaries are requested to contact Marc Cransell at Kilmort Berson Limited, 20 Fenchurch Street, London, EC3P 3DF, Telephone 01-523 8000

GARDEN PRODUCTS

We are an expanding manufacturer of products for sale in garden centres and we are seeking to buy an additional business, or product line, with similar sales outlets. Please reply to Box H2912, Financial Times, 10 Cannon Street, London, EC4P 4BY

A PRIVATE GROUP

With substantial cash resources is looking to acquire companies with pre-tax profits from £0.25m to £3m. Blair Shepherd & Co, 159 Ashley Road, Herts, AL4 8JH. Tel: 0438 7033.

CONSULTANCY AND SOFTWARE HOUSE

Well established computer consultancy seeks discussions with small specialist consulting and software (10-25 people) with view to acquisition, investment or joint agreements. Replies in strict confidence. White Box 10288, Financial Times, 10 Cannon Street, London, EC4P 4BY

Two Company Directors

specialists in the food trade are looking to acquire established businesses in the manufacturing, retail or wholesaling of food or food related products. Partial equity purchase considered. Write Box 10298, Financial Times, 10 Cannon Street, London, EC4P 4BY

Timber and/or Builders Merchants

Required (1 1/2 - 2 acres) London area. Outright purchase or controlling interest considered. Please reply: Box H2966, Financial Times, 10 Cannon Street, London EC4P 4BY

Clubs

BSL has outlined the other because of a policy on the day and night. Supplier from 10-3.30 am. Disco and top management. Numerous licenses. 100 shows. 186, Regent St., W1P 0JH 0657.

Company interested in acquiring Sports Wear Manufacturing Company

with an annual production turnover of approx. £3-4m. Please write to Box H2975, Financial Times, 10 Cannon Street, London EC4P 4BY

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD Tel: 01-828 7233/5699 Reuters Code: IGIN, IGI0 FT 30 Jan. 1431/1443 -9 FTSE 100 Jan. 1782/1794 -11 WALL STREET Mar. 1439/1451 -9 Mar. 1792/1804 -11 Feb. 1954/1970 +4 Mar. 1957/1973 +3 Prices taken at 5pm and change is from previous close at 9pm

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Restaurants

Probably The Best Indian Restaurant Ever. Mala indian cuisine (Open every day). Marble Quay • St Katharine's Dock • E1 • 01-480 6356

Legal Notices

ESSELTE BUSINESS SYSTEMS HOLDINGS LIMITED. Notice is hereby given that the Shareholders of Esselte Business Systems Inc of 150,000,000 Ordinary Shares of 10p each under section 182 of the Companies Act 1985 are authorized to amend the memorandum and articles of association of the Company as follows: (a) The amount of the permissible capital payment as defined by sections 170(1) and 172 of the Companies Act 1985 may be £15,000,000. (b) The Statutory Declaration and Auditor's Report required by sections 173 and 174 of the Companies Act 1985 both of which are dated 28th January 1988 are available for inspection at the Registered Office of the Company at 4 Backingham Gate, London SW7. (c) Any Creditor of the Company may apply to the High Court under sections 176 and 177 of the Companies Act 1985 within the period of two weeks immediately following 11th January 1988 for an order prohibiting the payment. Clifford Chance Solicitors, 100 Old Broad Street, London EC2M 3JL. 14th January 1988

Statutory Demand

STATUTORY DEMAND (Debt for Liquidated Sum Payable Immediately Following a Judgment or Order of the Court). To: GOBENDRAM HASCHAL DALAMAL of 629 Princeps Gate, Exhibition Road, London SW7. TAKE NOTICE that a Statutory Demand has been issued by BANK OF CREDIT AND COMMERCIAL INTERNATIONAL SA (BOCCI) whose principal place of business in England is at 100 Leadenhall Street, London EC3A 3AD. The Creditor demands payment of US\$1,268,841.28 and JPY46,411,280.78 the amount due as at 29th December 1987 on a Judgment and Order of the High Court of Justice, Queen's Bench Division both dated the 28th day of July 1987. The Statutory Demand is an important document and it is deemed to have been served on you on the date of the first appearance of this advertisement. You must deal with this Demand within 21 days of service upon you or you could be made bankrupt and your property and goods taken away from you. If you are in any doubt as to your position, you should seek advice immediately from a Solicitor or your nearest Citizens Advice Bureau. The Statutory Demand can be obtained or is available for inspection and collection from: Stephenson Harwood of One, St Paul's Churchyard, London, EC4M 8BH Solicitors for the Creditor, telephone number 01-252 4422 (Fax: 257 118).

Voyage charterer can set off claim against freight

COLONIAL BANK v EUROPEAN GRAIN AND SHIPPING LTD. Court of Appeal (Lord Justice Fox, Lord Justice Croom-Johnson and Lord Justice Mustill): December 21 1987. A SHIPOWNER can claim freight under a voyage charter despite his own wrongful repudiation of the contract before the ship reaches destination, if the charter so provides. But the charterer can set off his damages claim for the repudiation, and if the freight is thereby extinguished a claim for assigned freight will fail. The Court of Appeal so held when allowing an appeal by charterers, European Grain and Shipping Ltd, from Mr Justice Hobhouse's decision that they were not entitled to set off a damages claim against Colonial Bank's claim for freight assigned to it by owners of the Dominique. LORD JUSTICE MUSTILL said that in April 1982 shipowners assigned to the bank all the earnings of their vessel, Dominique. In June they chartered her to the charterers for a voyage from India to Europe. The charterparty was in the Gencon form. Clause 16 provided that freight should be pre-paid within five days of signing and surrender of final bills of lading, "full freight deemed to be earned on signing". On July 14 the vessel sailed, bills of lading having been signed. On July 19 she arrived at Colombo and was arrested by creditors. The shipowners were insolvent and could not procure her release. On July 22 the charterers brought the charter to an end on the ground of wrongful repudiation. Their right to do so was not challenged. Arbitrators found that the charterparty came to an end on that date. The arbitrators also found that by July 26 all the bills of lading had been surrendered to the shippers. They did not find whether the five day period stipulated by clause 16 was still running when the contract came to an end. The charterers made unsuccessful efforts to arrange continuation of the voyage, but had to give up and procure the on-shipment of the cargo by another vessel. They acted reasonably in doing so. The costs they incurred exceeded the amount of freight. If the dispute had not been concerned with the specialised field of voyage charter the case would have seemed straightforward. Even assuming that the owners' right to freight survived termination of the contract, it could not in equity be enforced in the face of the charterers' over-topping right to recover damages for repudiation - a right so closely linked to the claim for freight that enforcement of one could not be considered in isolation. The bank would be in no better position than the owners from whom its rights derived, and its claim would fail. However, the relationship between claims for freight and cross-claims for breach of charter was governed by rules very different from those which applied to ordinary contracts for the performance of services. In ascertaining the rights of the two innocent parties, the arbitrators decided in favour of the charterers, and Mr Justice Hobhouse in favour of the bank. The charterers appealed. The first issue was whether, had the freight not been assigned, the shipowners would have had a right (apart from any cross-claim) to recover freight, notwithstanding their wrongful repudiation. Clause 16 of the charter ["...full freight to be earned on signing bills of lading..."], clearly conveyed an intention to give the owners an indefeasible right to freight from the moment the bills of lading were signed - a right which was not to be destroyed whatever happened thereafter, though it would not be converted into an enforceable claim for money until five days had elapsed from surrender of the bills. If that were correct, the clause itself supplied the answer to the first issue. The owners and their assignees had an entitlement to freight which survived repudiation of the contract, and which became enforceable within five days of July 26, the latest at which the bills of lading were surrendered. The second issue was whether the charterers' cross-claim for damages for repudiation enabled them to resist the owners' prima facie right to collect the freight. Historically freight in the strict sense was regarded as payment in exchange for carrying goods to destination. The question whether damages for wrongful repudiation could be set up in diminution of freight could never have arisen, since if the contract terminated prematurely the goods would not have reached destination. The condition precedent to the shipowners' right would therefore not have been performed and freight would never have fallen due. Nowhere in the terms was there any discussion of the charterers' right to an abatement of freight in the event of premature termination. The bank argued, and Mr Justice Hobhouse held, that the answer to the second issue was provided by The Aries [1977] 1 Lloyd's Rep 324. In that case a vessel was chartered to load cargo and deliver it. There was shortage on delivery which the charterers deducted when they paid the freight. They did not institute proceedings for the freight. Then they raised their complaint by way of set-off and counterclaim. Judgment was given in favour of the shipowner. The reason the argument for set-off failed was that there could be no equity to override the common law rule prohibiting abatement

of freight as account of loss or damage to cargo, and nobody had ever previously suggested that there was one. The Aries was not fatal to the charterers' argument that damages for repudiation formed an effective ground of set-off. The reasoning in The Aries was all in the context of claims for short or damaged delivery, and had no bearing on a case where, through wrongful repudiation by the shipowners, the adventure terminated short of destination. There was nothing in the reported cases which would prevent the court from giving effect to any right of set-off which might otherwise be appropriate; simply because the claim was for voyage freight. As to whether a set-off could properly be allowed, one must turn to the general law. The cases encouraged the belief that courts of equity would have regarded the shipowners' claim for freight as having such a close link with the charterers' claim for non-performance, that the one could not properly be enforced without the other being taken into account. Also, if the court had to ask itself what it should do to ensure fair dealing (see The Nanfri [1973] 1 QB 327, 374), the answer was that it would not have been fair, had the owners sued, to allow them to recover the freight without regard to the damage caused by their own wrongful repudiation. The third issue related to the position of the bank. As the charterers would have had a valid defence way of set-off if sued by the owners, the bank's derivative claim must fail. The appeal was allowed. Lord Justice Fox and Lord Croom-Johnson agree. For the charterers: Martin Moore-Sick QC (Richard Butler). For the bank: Bernard Eden (Holman Fenwick & Wilton). By Rachel Davies, Barrister.

Company Notices

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED. International Depository. Receipts issued by Morgan Guaranty Trust Company of New York. On December 11, 1987 the Board of Directors of First Australia Prime Income Investment Company Limited, a closed-end investment company based on the Toronto Stock Exchange, declared an interim dividend on the company's ordinary shares of \$ 0.28 per share for the 12-month period ended November 30, 1987. Payment coupon No 3 of the International Depository Receipts will be made in US Dollars on or after January 22, 1988 (Wednesday) at the principal office of Morgan Guaranty Trust Company of New York. - New York, 30 West Broadway - Brussels, 35 avenue des Arts - London, 1, Angel Court - Frankfurt, 4-6 Belvoir Langstrasse. The dividend is not subject to any American tax. The Belgian withholding tax will be applicable to EUR holders presenting their coupons to the office of the depository without the appropriate Belgian non-resident certificate. Morgan Guaranty Trust Company of New York, Brussels Office as Depository.

NATIONAL BANK OF CANADA. \$US 200,000,000. FLOATING RATE DEPOSIT NOTES. DUE JULY 1996. For the six months, January 11, 1988 to July 10, 1988, the rate of interest has been fixed at 7.916 % P.A. The interest due on July 11, 1988 against coupon # 4 will be \$US 955.82 and has been computed on the actual number of days elapsed (182) divided by 360. THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE. 15, Avenue Emile Reuter LUXEMBOURG.

MANAGEMENT EDUCATION AND TRAINING

Publication date 2 March 1988 Copy Date 8 March 1988. The Financial Times propose to publish this Survey on the above date. A number of areas will be covered including: * What is to be done about British Management? * How do Managers actually think? * How can "Intuitive" thinking be improved? * How are leaders developed and teams built? Please address all inquiries or suggestions concerned with the editorial content of this Survey to the Surveys Editor. Advertising information can be obtained from Jacqueline Keegan. Tel 01-248 8000 extension 740 or contact your usual Financial Times representative. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER. Details of Financial Times Surveys are subject to change at the discretion of the Editor.

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FINANCIAL TIMES CONFERENCES

CIVIL AVIATION IN THE PACIFIC BASIN: THE PATTERN OF THE FUTURE. Singapore, 25 & 26 January, 1988. For information please return this advertisement together with your business card, to: Financial Times Conference Organisation. 125 Jermyn Street, London SW1Y 4LU. Alternatively, telephone 01-225 2323 telex 27347 FTCONF G Fax 01-225 2125

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FINANCIAL TIMES SURVEY



The region has diversified and is better able to withstand an economic downturn, though slow growth could impede investment, says

Roderick Oram. The success of a regional plan hinges on co-operation between many authorities, but could offer a model to other American cities.

Time now for a new accord

THE PHILADELPHIA region, enjoying rapid growth through the 1980s, has become one of the most dynamic major metropolitan areas in the north-eastern United States.

Now comes the hard part. It is to build on those gains, local business and political leaders must learn how to co-operate better on a regional scale.

Any tensions between the city and its neighbouring suburban counties or inefficiencies created by inadequate infrastructure proved but a minor hindrance to growth over the past six years. The local economy, depressed through the 1960s and 70s, was ripe for a strong rebound.

But the protracted period of expansion has started to strain resources. The supply of labour, for example, has begun to tighten, which could lead to higher wages. This could trigger in turn an escalation in the affordable house prices that are one of the area's attractions.

Similarly, increased economic activity has heightened the need for a number of major road and other infrastructure projects. Progress will also be tougher, because of the uncertainties that have built up in the US economy since last autumn. Although the region has become more diversified in recent years and better able to weather a national downturn, slower growth could intensify

competition between communities for new investment.

In a sense, something far less important than the next new job or factory is at stake. Prosperity has markedly improved the region's self-image and confidence. But these could sink back, re-exposing all the old self-doubts, if recent gains are frittered away. Cementing the successes, though, could nearly complete a cycle begun more than 100 years ago.

In the latter half of the 19th century, Philadelphia was one of the key centres of the US industrial revolution. Eager entrepreneurs lent enormous drive to the local economy, making it and themselves rich in the process. The hey-days lasted well into the 20th century, bequeathing many of the city's educational and cultural amenities which still enhance life in the Delaware Valley today.

But gradually, old money became highly conservative, excessively tied up in safe but locally unproductive investments such as federal government bonds. The decline of traditional manufacturing strengths was hastened by international competition. The final damage was done when the area "was clobbered by back-to-back recessions in the early 1980s", says Mr Mickey Levy, chief economist of Philadelphia's Fidelity Bank.



The tapering top of the skyscraper, One Liberty Place, now dominates the downtown skyline - see page 2

Now, manufacturing employment accounts for only 20 per cent of local jobs, close to the national average, compared with 40 per cent in 1970. Confidence was severely dented.

There can be a tremendous lack of vision about what this city can be - a failure to plan for success - but that's changing," says Mr Bill Rouse, a leading local real estate developer, who has pushed hard, with measurable success, to get the city to believe more in itself.

Not only is the vigour evident at a civic level. Swelling ranks of young entrepreneurs are being assisted by greatly improved financial and service facilities. The area has developed recently, for example, a healthy venture capital pool, thanks to the efforts of civic and business leaders.

The changes have been profound. "Fifteen years ago, death rites were being read in many meetings on the economic health of the Philadelphia area," wrote Anita Summers and Thomas Luce, of the University of Pennsylvania's Wharton Business School, in a comprehensive study of the regional economy. But the diagnoses failed "to take into account the extent to which market forces induce accommodation," they added. As old and

inefficient employers fell by the wayside, new ones were nurtured.

Since May, 1983, employment in the region has increased by 12.3 per cent, or at an average annual rate of 2.9 per cent. More than 238,000 new jobs have been created, driving down the unemployment rate from 9.5 per cent to 4.5 per cent. The rate is now the third lowest among the 10 largest US metropolitan areas, after Boston and Washington.

The adjustments continue, however. Manufacturing employment fell 1.6 per cent in the year to last October, despite the continuing progress of high technology. In contrast, non-manufacturing jobs rose 2.6 per cent with, for example, the service sector expanding 4.1 per cent and finance, insurance and real estate growing 2.7 per cent.

The overall rate of job growth can no longer be maintained, argues Mr Joel Naroff, Fidelity's regional economist. The labour pool is now shallower so that, even with population increases, "less than 1 per cent annual employment growth may be a more reasonable growth path. This is the clearest indicator of a labour shortage.

Some other economists are less concerned. Mr Luce argues, for example, that the region will attract a bigger migration of new workers than generally expected. Even so, he and many other analysts and leaders agree with Mr Naroff's central conclusion: "How business and government react to the regional labour shortage will determine the future economic health of the Delaware Valley."

Encouraging and depressing signs of regional attitudes to tackling this and broader local issues have marked the past year.

On the optimistic side, the counties banded together to run a textbook effort to attract a major new investor. Together, they sold Eastman Kodak, the photographic group, on a home for its fledgling pharmaceutical business which it intends to develop into a \$10n a year business. When the city of Philadelphia saw that its chances of beating out Baltimore were waning, it threw its support behind another local contender, Malvern, a small dormitory community outside the city. One of Baltimore's prime attractions was its simpler form of local government, but the Philadelphia area mustered its forces for a last ditch and ultimately successful campaign.

place at the turn of the year. Mr William Stead, general manager of the Southeastern Pennsylvania Transportation Authority, resigned after only five weeks in the job. He was driven out by the frustration of dealing with Septa's highly politicised board, which is deeply divided between representatives from Democratic Philadelphia city and its neighbouring Republican counties.

"Septa is the central poison" in local relations, full of "blatant politics and power plays," says Mr John Claypool, executive director of Greater Philadelphia First, a business-government regional economic development body.

Mr Stead charged that the battles, which had been raging long before he arrived, had stymied all efforts properly to maintain, let alone develop, the nation's fourth largest mass transit system. He warned that the system's trains and buses were in poor, and in some cases dangerous, condition.

Some Philadelphians had thought his departure inevitable. They had him marked as a boy scout tackling a marine's job in the tough world of Philadelphia politics. But the shock of his noisy exit may be ultimately beneficial if, as hoped, it hastens some radical changes

in Septa's governance.

This is crucial to the region, because an improved transit system, particularly in the suburban counties, would help ease the tightness of the job market. Mr Luce and others argue that the labour pool is suffering more from a mismatch of geography and skills than an outright shortage. Better transport would get the right people to the right jobs.

On the positive side of the balance sheet of local co-operation, a comprehensive regional plan is about to be delivered to the Pennsylvania State Government. Under development since late 1986 by a group of politicians, business and civic leaders from five counties, it identifies a large number of regional road, rail, port, airport, water, sewage and other infrastructure projects.

A key criterion was that "each project has to have a fairly significant impact on the economic activity of the region with benefits across more than one county," says Mr Claypool, who was deeply involved in formulating the proposals. Tellingly, though, the plan was to be called Greater Philadelphia's Partnership for the Future. At the last moment, some counties in the metropolitan area insisted on dropping

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the first two words, because they said they were not part of Greater Philadelphia.

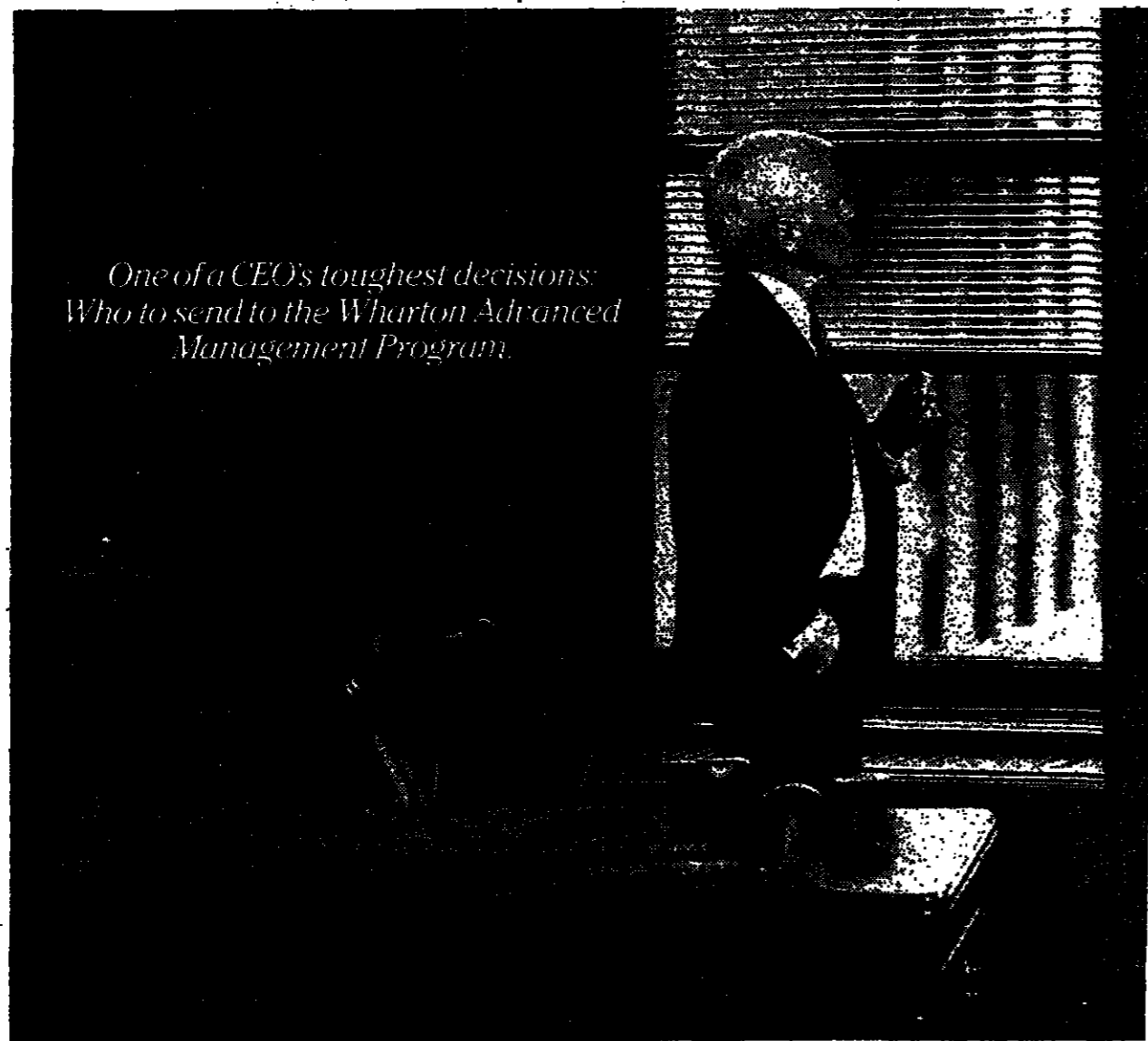
None of these regional initiatives is binding on the participating bodies, so success will hinge on co-operation between county, township, city and other authorities. Although there is a regional planning council, a large part of the effort to encourage development comes from a mosaic of joint private-public sector bodies.

"The change in the last six years is remarkable, from 'fight your neighbour' to regional co-operation," says Mr Walter Alessio, chairman of the Greater Philadelphia Economic Development Commission and president of Latimer and Buck, a mortgage banker. "Politicians are at least saying they need to co-ordinate, to band against the common enemy or to seek help from, for example, the state government."

The sense of hope is shared by other leaders, who believe that, if the Philadelphia region finds the solutions, it could serve as a role model to other US metropolitan centres wrestling with the same urban issues. Such national prominence would work wonders for the region's self-esteem. Whether it achieves that hangs on how well people work together in the next few years.

Perhaps, when local people come to look back on this crucial period, they will be able to judge the significance of a big event this past summer: the celebration of the 200th anniversary of the birth of the US constitution.

Planning for it got off to a chaotic and financially troubled start, but by the time the nation turned its eyes on Philadelphia, the city and its neighbours had, somewhat to their own surprise, got their act together. They enjoyed the party and the limelight enormously. Now they must ensure that it was not just a celebration of past achievements but the launch of those to come.



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Pride in Performance.

PHILADELPHIA 2

**Frank Lipsius finds a healthy independence of New York in the banking community
Mergers may strengthen local sector**



The Stock Exchange

Seeking a new home

PHILADELPHIA HAS a Stock Exchange Place, to commemorate the oldest stock exchange in the country, if not the oldest still functioning in the world. But the exchange outgrew that location (its second) more than 15 years ago. Now it is again looking for a new home.

Its 505 members trade the most diverse instruments of any exchange in the US. The exchange is most famous for its currency options trading, which is somewhat frustrating to Nicholas Giardano, the former accountant who is its president. Only a quarter of the exchange's income is from trading in eight currencies, the same as from stocks; fully a half is from stock options.

The stocks it trades are of two types: exclusives on a couple of hundred local or other small companies, and about 900 issues that also trade on the New York Stock Exchange. Still, the association with currencies is well earned, as the instrument was pioneered in Philadelphia.

At the outset, in December 1982, the exchange was trading 30,000 contracts a day. This is now up to 50,000, which, Mr Giardano assumes, are largely traded as some form of hedging rather than as speculation.

Exchange seats traded hands most recently for \$95,000, down from a high of \$155,000 on September 11. Besides the trading floors for each instrument, the exchange (and its 560 employees) provides the service of a depository, one of three in the country that save brokerages paperwork.

Mr Giardano said the exchange had found a counter-cyclical trading pattern in currencies, a welcome discovery after the October 19 collapse, which caused a scare but no failures among members.

He admits that the exchange is considering offering a new instrument, which he will not name. For currencies, Congress had to pass a law to define currencies as securities, a formality that Mr Giardano hopes to avoid with the next one.

This will probably be in a new building, since the exchange will decide this year about moving. The office floor in its trading complex, which Goldman Sachs owns but wants to sell, looks out on trees in an atrium, but it leaves no room for the growth that is expected.

Frank Lipsius

EVERY MAJOR bank in Philadelphia has been involved in an unprecedented merger frenzy that has completely transformed the local financial community.

The only remaining large Philadelphia-based bank holding company is CoreStates, the parent of Philadelphia National Bank, and its two gobbed smaller banks, Hamilton and New Jersey National Bank.

Fidelity Bank does not like the implication that it is no longer a local bank, but it did recently merge with First Fidelity Bancorporation of Newark, and corporate headquarters will be situated in New Jersey

The only Philadelphia bank to be taken over by a New York one is First Pennsylvania

near Princeton, equidistant from the two components.

To Henry P. Glendinning Jr, the chairman of local investment bank Butcher & Singer Inc, the mergers were long overdue. "It used to be that, as soon as a company got big enough, it moved to New York. First the finance department left, and then the whole company. With these bigger regional banks, maybe the companies can stay here."

If so, it will have justified the loosening of banking regulations to allow the regional alliances that are creating a band of mid-sized healthy banks independent of the dominating influence of New York money centre banks, many of which are hobbled by Third World loans. The only Philadelphia bank to be taken over by a New York one is First Pennsylvania, in a merger with Marine Midland, which is itself owned by the Hongkong & Shanghai Banking Corporation.

The major alliances have been forged with Pittsburgh banks, which have tended to become the dominant partner. Pittsburgh National merged with Provident National, the banking headquarters for the merged PNC Financial Corp is Pittsburgh, but the Philadelphia bank retains its identity, and Philadelphia is the headquarters for the combined trust department.

Mellon Bank took over the Girard, a venerable Philadelphia institution which it obliterated in identity and contracted painfully in local personnel. Many outsiders point

to the merger as an example of the wrong way to go about such activities, especially after Mellon had its own reputation soiled by recent financial woes.

Members of the local banking community tend to be more than a little irked. Fote, chief executive of Fidelity Bank, noted that Girard had its own problems when Mellon took it over. Its reputation for having mastered electronic consumer banking was unearned, and Mellon had to impose its own systems on what it had hoped would be Girard's contribution to the merger (to go along with Mellon's business banking systems).

CoreStates is sticking to its knitting, as well as to Philadelphia. Picking as its niche mortgage credit services, according to Philadelphia National Bank chairman and chief executive Frederick Holding, the company has escaped the folly of Third World loans and picked up other banks as clients for its cheque-clearing and automated teller services.

Like many businessmen, CoreStates proved the wisdom of a conservative lending and operations policy, which had given the holding company 10 per cent growth a year and a sophisticated network-handling capacity. The bank has a merchant banking subsidiary in London, and clears cheques for 1,000 foreign banks in a bid to be "an integral part of the world economy and not just a sideshow", as Holding puts it.

The conservatism of CoreStates goes along with the philosophical bent of other major Philadelphia financial institutions, like money managers for pension and trust funds. "After all, this is a Quaker town," notes William G. McKenna,



PNC's Frederick Holding: "not just a sideshow"

president and chief executive of Provident Capital Management Inc, a wholly owned autonomous subsidiary of Pittsburgh-based PNB Financial Corp. "Quakers and conservatism go together."

His own company, which has \$5bn under management for 50 clients, pioneered the Philadelphia specialty in "value investing" in stocks with the lowest price-earnings ratios. He can invest in only the 600 companies with the lowest p/e on Wall Street, of which about 150 are held at any one time. They sell the shares as they rise above the category, a strategy,

The conservatism of Philadelphia goes back a long time, as evidenced by the venerable insurance companies started there, including the first fire insurance group in 1750 and the "Presbyterian Ministers' Fund," the country's first life insurance company (and first chartered company) in 1759. Though no longer tied to the Presbyterian denomination, the company still sells insurance primarily to clergymen and its 65 sales representatives are former ministers.

Now run by Robert Kloes, a former partner of accountants Touche Ross, the company has had an equal number of clergy

Local conservatism is evidenced by some venerable insurance companies

and non-clergy heading it over the years. Its socially responsible approach to investing precludes buying tobacco and alcoholic beverage companies, a category of investment that overall did less well than the average before the stock market crash of October 19, but has done better since.

The same could be said for the venerable investment community overall. It never grew as large as New York's and will not have to contract as much. According to Fidelity Bank economist Joel Naroff, "there will not be a massive lay off of office space in New York, just a slow decline in some areas", as the Philadelphia financial community benefits from its distance, mental and geographic, from New York.

Real estate developers believe the city will appeal to many US companies as a regional headquarters

How they broke the mould and went over Penn's head

A GRACEFUL new 60-storey skyscraper with a tapering top stands head and shoulders above the surrounding collection of boxy buildings in downtown Philadelphia, a symbol of the city's economic renaissance and new-found sense of optimism.

One Liberty Place, completed late last year, has brought variety and interest to the city's skyline. All the other buildings are lower and flat-topped, truncated by a tacit understanding among developers not to probe above the head of William Penn, the state's founding father whose statue stands on top of City Hall.

It was widely felt that the height convention gave the downtown a more human scale than, say, New York. But Mr Bill Rouse, the leading real estate developer and unflinching promoter of its attractions, who broke the mould, believes that once buildings get above 10 storeys or so height is irrelevant in questions of scale.

Instead, the convention was motivated more by financial than aesthetic considerations. "There was no economic reason for building more than about 40 storeys high. First, people were unwilling to put together enough land, and second they thought there wasn't the demand for the office space."

He felt otherwise as the city boomed in the mid-1970s and bid fiercely to assemble the large parcel of land on which Liberty Place stands. He also believed that, if he offered an attractive building that soared rather than edged above William Penn, the public would accept it.

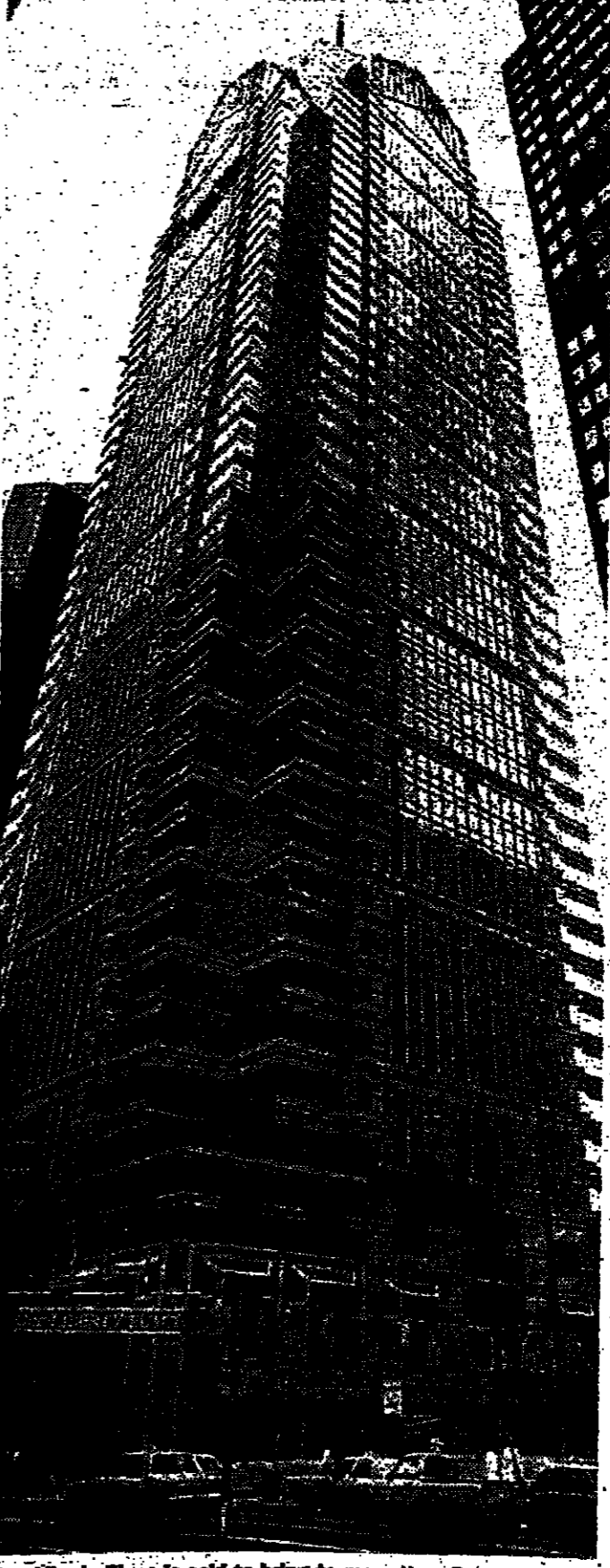
"Three years ago, opinion was probably too close to evenly split for comfort. Now, probably fewer than 10 per cent are opposed," he says. "I think we have come through relatively unscathed."

One Liberty Place's 1.2m square feet of office space brought to more than 5m square feet the total of new prime office space built downtown so far in the 1980s, according to Mr John Binswanger, president of Binswanger Company, a national real estate firm which has grown up in the city.

In addition, rehabilitated buildings accounted for something around an additional one-third of space. Yet the downtown vacancy rate has remained low, fluctuating in a narrow range of between 8 and 11 per cent of total space over the past four years. By comparison, the national rate has risen from about 13 to 17 per cent, according to Coldwell Banker, another national real estate firm.

"The conservative way of life here has kept the city from being over-built," says Mr Rouse. "It has kept supply and demand in better balance."

His competing developers were distinctly nervous, however, when he decided to press on with a companion 68-storey tower as part of a \$600m complex encompassing 125,000 square feet of retail space and a 300-room luxury hotel. Who would fill it and other buildings underway if the local economy, like the national, began to cool?



One Liberty Place is said to bring to more than 5m square feet the total of prime office space built downtown in the 1980s.

all 1m square feet of Two Liberty Place, which Mr Rouse will re-convert after it; while the city will take over the bulk of its old space for its own offices. CIGNA expects to save \$100m over the next 15 years in its new home.

The deal "has improved the Philadelphia scene tremendously as far as absorption. That was a very serious question," says Mr Binswanger. "Once he was able to complete that transaction, then the absorption factors work in the favour of the developers again now for a while."

Mr Rouse, more optimistic than some of his competitors, believes that the demand for downtown office space continues to be explosive. "I think the city could be short of space in the next 18 months, which may accelerate the next generation of buildings."

The area's real estate developers are pinning their hopes for strong demand on further growth among local companies, particularly in pharmaceuticals and services such as accounting and legal. One trend downtown is for service companies, such as banks and insurance companies, to move their executives and managers into new prime office space while relocating their clerical employees into cheaper rehabilitated buildings. Given the city's good labour pool in lower grade skills and its extensive mass transit system, the downtown has large potential as a home to such back office operations.

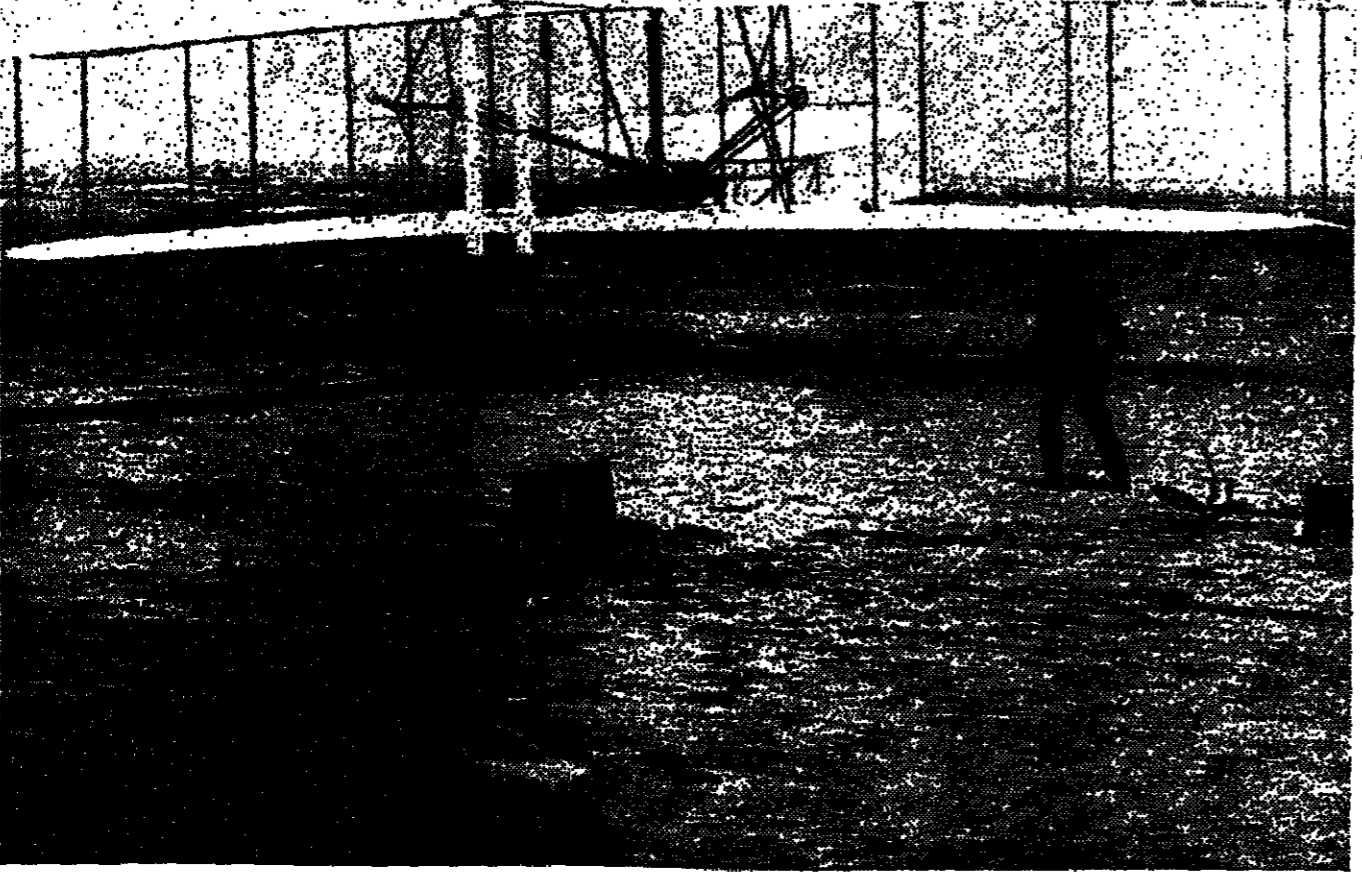
Although the city's office rental and employee living costs are below those in New York, they are not likely to attract a company seeking a new home. If it is going to take the trouble to move, it will probably choose a low cost southern city. J.C. Penney, for example, a leading retailer, is moving from New York to an outlying suburb of Dallas.

But developers believe Philadelphia will appeal as a regional headquarters for many US companies and as a national base for some foreign companies. The same also applies to industrial and commercial space which, though cheaper than in some other places on the eastern seaboard, and well served by transportation links, cannot compete on price alone with more rural or southern locations.

In an effort to draw in more foreign clients, Binswanger opened a Tokyo office last year, but this will serve all 15 of the company's US office rather than push Philadelphia in particular. It also hopes to attract not only lessors and owners but also investors from Japan, said Mr Frank Binswanger, who runs the firm's industrial and commercial divisions.

Over the coming years, the next downtown areas to boom will probably be those lying to the east and west of the present core. To the west, substantial opportunity exists to build above the 30th Street railway station; while the area to the east, particularly along Market Street, should benefit from the construction of the city's convention centre.

Roderick Oram



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PHILADELPHIA 3

Politicians face problems that are gritty and intransigent, says Frank Lipsius

House the homeless, stem the drift

THE DAY before Christmas, Mayor W. Wilson Goode held a press conference to announce the funding of what will be an \$11m programme for permanent housing among Philadelphia's estimated 18,000 homeless.

He took justifiable pride in the effort to help provide a permanent solution to what is a pervasive problem in America.

While the news was welcomed by supporters who crowded into the ornate 19th century City Hall reception room, housing the homeless does not garner wide appeal. It is, however, one of the chronic difficulties faced by old American cities and it is one that Philadelphia is trying with some success, to solve, if without the credit it deserves.

The city's problems are gritty, intransigent and unglamorous. They include rubbish disposal, public transport, education, and municipal workers who could repeat the costly unpleasant strike of two years ago when their contracts ran out this summer.

Philadelphia's troubles encouraged the exodus to the suburbs, which have enjoyed spectacular growth in the past three decades. Federal road building made the escape from entrenched urban woes easy. The suburbs first took the city's residents and then its businesses, with shopping malls and offices that seemed to rob the city of its most vital assets.

Philadelphia has fought back. Its latest success has been to persuade the area's third largest employer, SIGMA Insurance, to keep its 4,400 employees in the city rather than move to the suburbs. Admittedly a package of incentives was used, which probably means that the city was paying more to rent the old SIGMA headquarters



Mayor Goode: into his second term



Congressman Gray: secured subsidies

than SIGMA will pay to rent the latest city skyscraper. But the suburbs had their own incentive package, which the city had to match, and the company's move into the city was a case of remaining in town.

Fighting to keep businesses in the city has become part of a mayor's job, since Edward I. Koch did it so successfully in New York. Mayor Goode, a Democrat, seems equally adept at the required manoeuvres, which include placing developers and, to some degree, easing the health of the city with its number of new, sometimes oversized and not always pleasing new buildings.

Philadelphia has been lucky that its largest new building has made a distinctive contribution to the skyline, but a \$400m convention centre is now planned, which, critics contend, could prove costly to city residents, who may ultimately have to pay for an exaggerated expectation of its benefits and an underestimation of its costs.

As well as housing the homeless, Mayor Goode, who was inaugurated for his second four-year term this month, has made progress on other unyielding problems. Two years ago, he endured and won a two-week strike by municipal workers, which kept wages down but, according to economists, did not offer ballooning benefits. This time, the mayor commissioned a management consultants' report, which indicated that the Streets Department alone could save \$26m with better equipment and a reduction in staff.

The report, prepared by Creasap, McCormack and Page, proposed that the unions be asked to agree to reduce staff by natural wastage, without lay-offs, falling which the city should privatise the work of rubbish removal by contracting it out.

With the city facing a \$35m shortfall in its present \$1.8bn budget, the mayor has called for a hiring freeze and proposed selling some city-owned buildings to raise money.

The city has run small surpluses in the last three years, a unique achievement for a major American city. It has overcome anticipated deficits in the past, including one last year of \$65m, which ultimately turned into a \$12m surplus, largely because of a one-off tax amnesty that raised \$25m.

The largest single source of revenue in the city is the controversial and resented wage tax. At 4.3 per cent for non-residents and 4.96 per cent for residents, it is the highest such tax in the country and, according to a Wharton School study of the region's economy, has cost the city at least 100,000 jobs.

Pennsylvania's highest court recently ruled that the state should pay for the court system, bringing the city a potential \$90-100m windfall, which Mayor Goode intends to use to lower the wage tax. In an interview at City Hall, the mayor also proposed state-wide tax reform, to increase sales tax by

1 per cent, as part of the wage reduction.

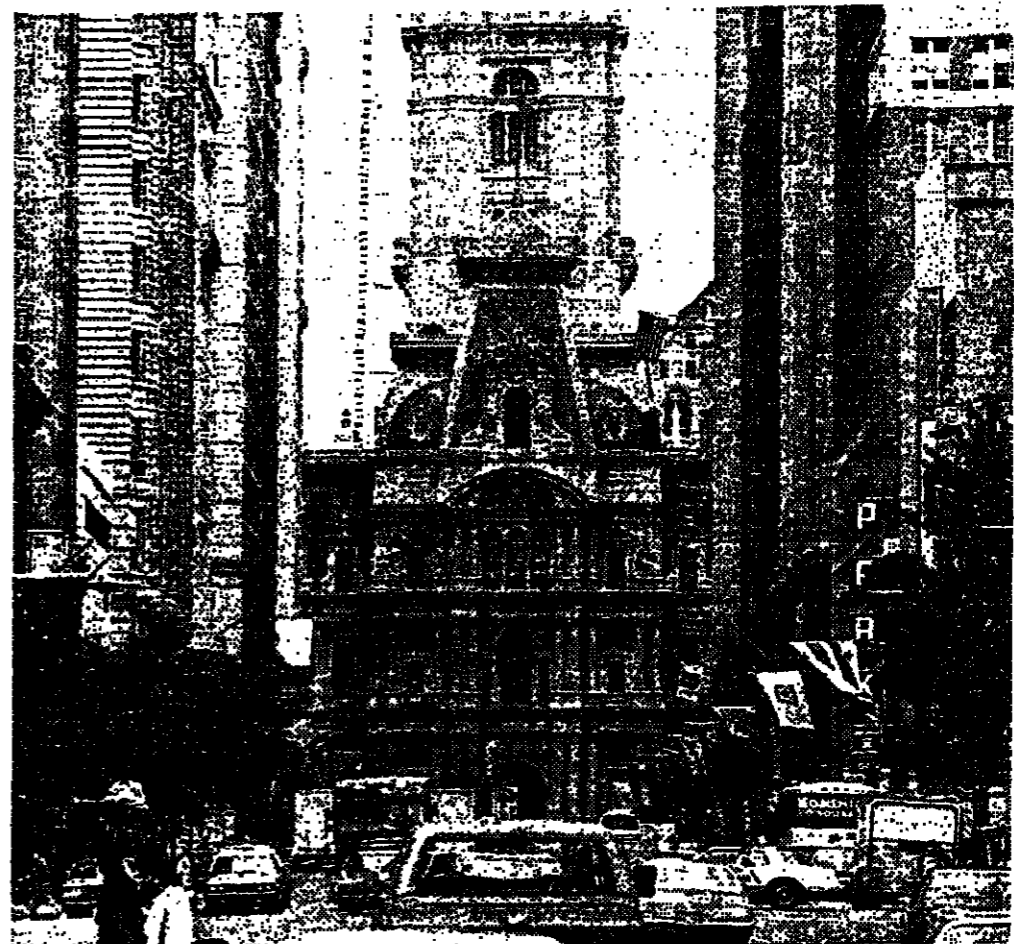
The election last year of a Democratic governor helps to shift the balance of power in the state to the advantage of the city, offsetting the entrenched coalition of rural and suburban Republicans. A Democratic President would also benefit the city, compared

with the Reagan years, which have cost Philadelphia \$45m in federal programmes.

The city's greatest asset in Washington is Congressman William Gray III, chairman of the crucial House Budget Committee, who still preaches in his North Philadelphia church. He has helped the city to avoid accounting penalties in Washington, while getting the area included in various federal subsidy programmes.

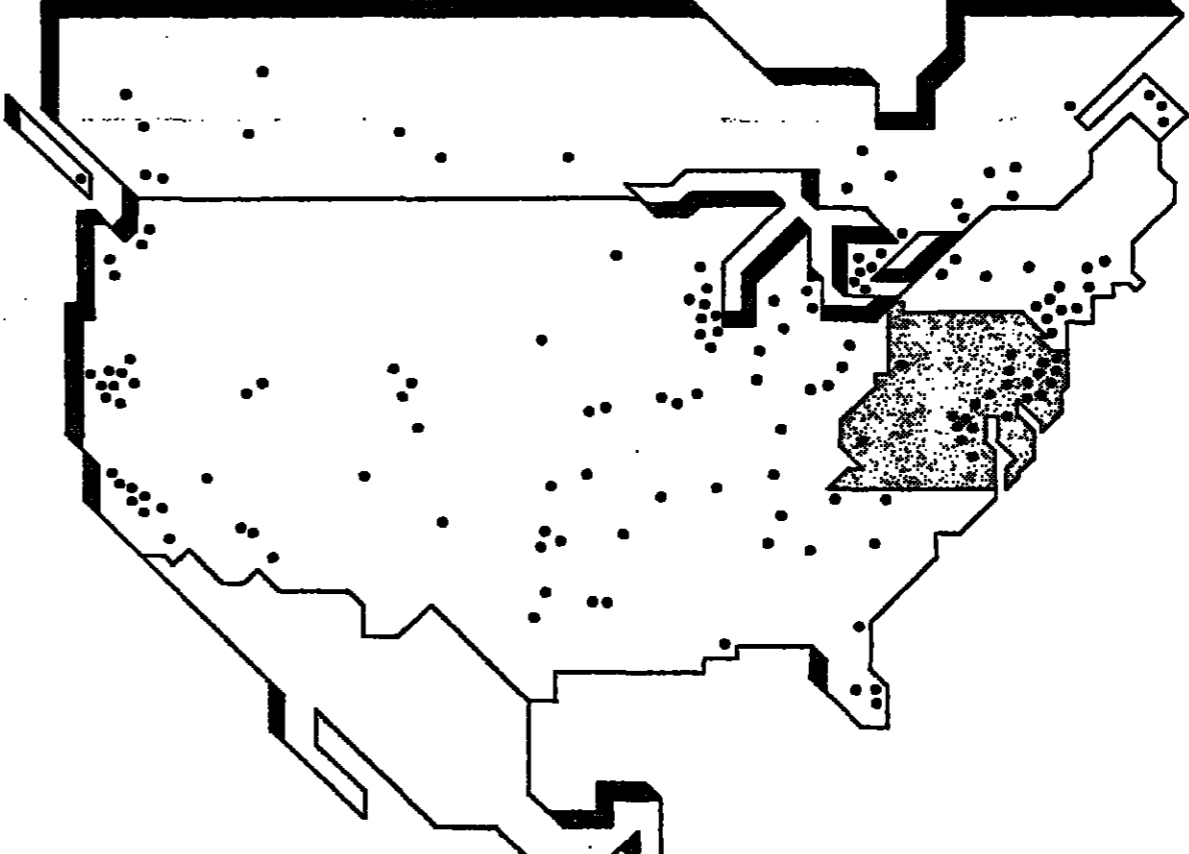
Despite a Democratic majority, the city council is a noisy, combative and sometime embarrassing agglomeration of neighbourhood partisans. Philadelphia remains a city of neighbourhoods, whose preservation is a high local priority — though the city's most famous recent event, the bombing and devastating fire at the headquarters of MOVE, a black cult group, in May 1985, is remembered for the destruction, not its intention to preserve a Philadelphia neighbourhood.

The agenda of Mayor Goode's second term includes effective neighbourhood improvement, and making areas match better such historic names as Hunting Park, Parkside and Strawberry Mansion.



City Hall: where the chronic difficulties faced by an old American city are tackled

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Foreign investors

Manufacturers sought who will create jobs

ON DECEMBER 5, Air France started a direct service between Philadelphia and Paris, a route it had abandoned in 1973.

"Our market surveys showed an influx of tourists and leisure travel," said John A. Vitale, Air France's district manager in Philadelphia. "In addition, there has been an increase in French-US commercial ties, including corporate headquarters and other connections, that justify the route."

Among French companies operating in the area are Saint-Gobain, which owns Certaineed, an insulating company; Carrefour, the supermarket specialist, which is starting its American expansion in the city; and Compagnie Generale des Eaux, which owns two Philadelphia companies. According to a survey of international businesses in the region, conducted by Arthur Young, France ranks fourth behind, in order, the UK, Germany and Japan.

James De Long, head of the Philadelphia Airport, finds Air France's move "encouraging", while recognising that "international businessmen need daily service".

Air France will have three flights a week by the peak period in summer, and hopes eventually to have seven.

Having come from Houston — where British Caledonian inspired Continental to start a competitive route to Britain and both did well — Mr De Long notes that "As international traffic increases in Philadelphia, airlines will get more comfortable with the city and use it more." He expects that over the next two decades Philadelphia will quadruple its air traffic from the current 15m passengers a year.

Mr De Long is among those who are impatient to see the city fulfil its destiny as the country's fourth largest city, rather than be a weak straggler between the magnets of Washington and New York.

other areas. Henry F. Glendinning Jr, the chairman of Butcher & Singer Inc, Philadelphia's largest investment bank, noted that Germany's Prince Johannes von Thurn und Taxis is buying a 90 per cent stake in the company for \$19.5m, because "he wanted to be a big fish in a little pond".

Agusta Aviation Corporation, a government-owned Italian helicopter manufacturer, made its American headquarters at Philadelphia's Northeast Airport, because "it is the best location in the country. It has no traffic at all," according to Vincent Genovese, the vice-president of finance and administration. The city lent it money on such favourable terms to build the new headquarters that it made money by leaving the loan in a bank account while waiting to start construction.

"We got \$2.7m from Philadelphia Industrial Development Corporation in a federal grant. We could have had more, but our project was originally on a smaller scale," Mr Genovese leaves the impression that the city need not have made any concessions at all. But Philadelphia benefits from federal grants that private investors pay back to a private agency, like PIDC, the first city-founded self-sustaining urban development corporation in the country.

To some extent, PIDC's role is to transform the old industrial base of the city for contemporary use. Philadelphia is littered with antiquated empty buildings that, according to the deputy commerce director for neighbourhood development, Elaine Black, cost more to tear down than rebuild. The city is contributing to its own renovation as it helps companies get the space they need.

PIDC provides companies moving into the city with concessional loans, as well as the contacts to find developers and negotiate the path through the local bureaucracy. For IKEA, the Swedish furniture company that started an extremely successful American operation in

Philadelphia, PIDC found the developer to whom it sold for \$1.1m land for a warehouse which IKEA hold a lease-buy option.

Britain's MFI Furniture Centres Limited has five kitchen fittings shops in Philadelphia. "The real prize, of course, is the manufacturing facility here," says the PIDC chief of research, Webster M. Christman III. "But this is a start."

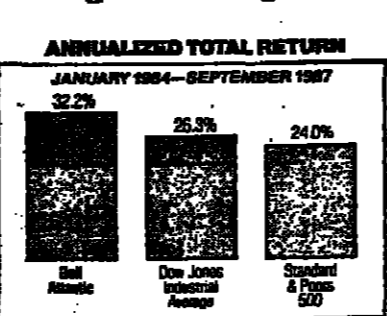
Probably the greatest foreign investment in the city is the Singapore Government, a Dutch company, Arab investors and a British pension fund all own major properties in the city centre. And yet, according to Mr M. Walter Alessio, of mortgage brokerage Lstimer & Buck, Philadelphia has not matched the volume of foreign real estate investment of other parts of the country.

The city wants to encourage foreign investment primarily in manufacturing and business enterprises that will increase local employment. PIDC is part of a network of government agencies set up to foster relocation and job-creation. The Private Industry Council (PIC) trains workers with government grants, and the city's commerce department has a foreign section headed by Brian Collier devoted to helping exports as well as foreign investment in the city. PIC works with 1,800 companies, for which in 1987 it provided more than 5,000 workers with as much as six months training.

The Arthur Young survey noted that 59 per cent of the respondents were in manufacturing, and that 36 per cent had sales in Philadelphia of \$2m-10m while a quarter had sales of \$10m-25m. The person responsible for choosing a Philadelphia site was, in nearly half the companies, the chief executive — which supports the observation by Mr Christman, of PIDC, that, "especially among Europeans, Philadelphia is very congenial in scale. And, unlike other cities, it does not shut down at the end of the business day."

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Frank Lipsius

PHILADELPHIA 4

Entrepreneurs are broadening the high-tech base

Venture funds raise economic optimism

A YOUNG entrepreneur's pitch for financial support to a recent meeting at the Union League, bastion of Philadelphia's business establishment, revealed a number of essential aspects of the new dynamism of the local economy.

He was, by his own count, the third employee of Commodore International, the manufacturer of home computers, to set out on his own, indicating that the success of some of the region's large high technology companies was helping to stimulate entrepreneurial zeal.

His presentation was directed at an audience of some 120 members of the Delaware Valley Venture Group, which brings together the area's venture capitalists.

The association's rapid growth reflects the speedy development in the past few years of a local financial and service infrastructure, which is helping to nurture new entrepreneurs.

"We're starting to see spin-offs from established high-tech companies," said Dr Ian MacMillan, Director of the Sol C. Snider Entrepreneurial Centre, at the University of Pennsylvania's Wharton Business School. He sees this as evidence of a growing willingness among local businessmen to try to develop their own companies.

The trend should help the Philadelphia area to broaden its high technology base. Although the sector has become one of the strongest in the local economy over the last 20 years, generating jobs while more traditional industrial sectors have contracted, it is dominated by only a few large companies in a handful of industries.

The present base benefits from the presence of relatively stable high technology industries such as pharmaceuticals. Thus the region is unlikely to suffer the fate of, say, Silicon Valley, California, which is heavily dependent on the fortunes of the highly cyclical semi-conductor business. Philadelphia business leaders, keen to encourage diversification as a way of strengthening the local economy, have been taking steps to ensure the infrastructure is in place.

A 1981 study by the Greater Philadelphia Chamber of Commerce concluded that the region was endowed with essential ingredients such as highly rated universities and a long history of corporate research and development, plus evidence of latent entrepreneurial talent in the form of some existing start-up companies. But it also showed up a dearth of venture capital essential to growing new companies.

Armed with some corporate commitments to contribute money to a venture capital fund, business leaders set out to find a fund manager. They chose Mr Walter Aikman, who had spent the previous 15 years running the Boston venture capital operations of Paine Webber, the Wall Street investment bank. "I know of no other set-up like this where the city came together to get the fund off the ground," he said.

Mr Aikman started his first Philadelphia fund, Century IV Partners, in 1983 with \$30m from local companies and institutions. It has invested only one-third of its money in local companies, however, reflecting Mr Aikman's belief in spreading a wide net to ensure a satisfactory financial return.

He began a second fund in 1986 with \$20m from pension plans of State of Pennsylvania employees, and a third one last October with \$15m from Japan's largest venture capital company. He hopes to raise a fourth fund this year from local corporate sources.

Mr Aikman is also looking for money from European investors, believing that venture capital is becoming increasingly international. As young companies are obliged to look abroad at an earlier stage in their development, they could benefit from the help of foreign investors in those countries.

A number of other venture capitalists have been attracted subsequently to the area by the idea that it is developing into a high-tech, entrepreneurial centre which has the benefit of having been previously somewhat neglected by comparison with other parts of the country. "This is a good place to look for deals and ideas. They are cheaper here than, for example, on the West Coast," said Dr Bernard Tenenbaum, associate director of the Snider Entrepreneurial Centre.

One fund that responded to this attraction was APA/Fostin Capital Fund. The largest fund in the area, with some \$40m, it is a joint venture between Alan Patricof Associates, of New York, and Fostin Capital, of Pittsburgh.

All told, six new funds, totalling more than \$110m, have started in the area over the last year or so, representing a 25 per cent expansion in the venture capital pool. Even with this growth, Philadelphia ranks behind some second-tier venture capital cities, such as Chicago. But the influx of funds has, nonetheless, encouraged the start up of local companies.

SmithKline Beckman is an example of the way established companies are trying to stimulate start-ups. One of the largest pharmaceutical companies in the country, it has set aside \$50m in its own venture capital fund called SR One, while also contributing to joint efforts such as Century IV.

"We want to support new companies with mutual interests and goals," said Mr Henry Wendt, SmithKline's chairman. "Few are able to commercialise on a worldwide basis, and we can also help them technically."

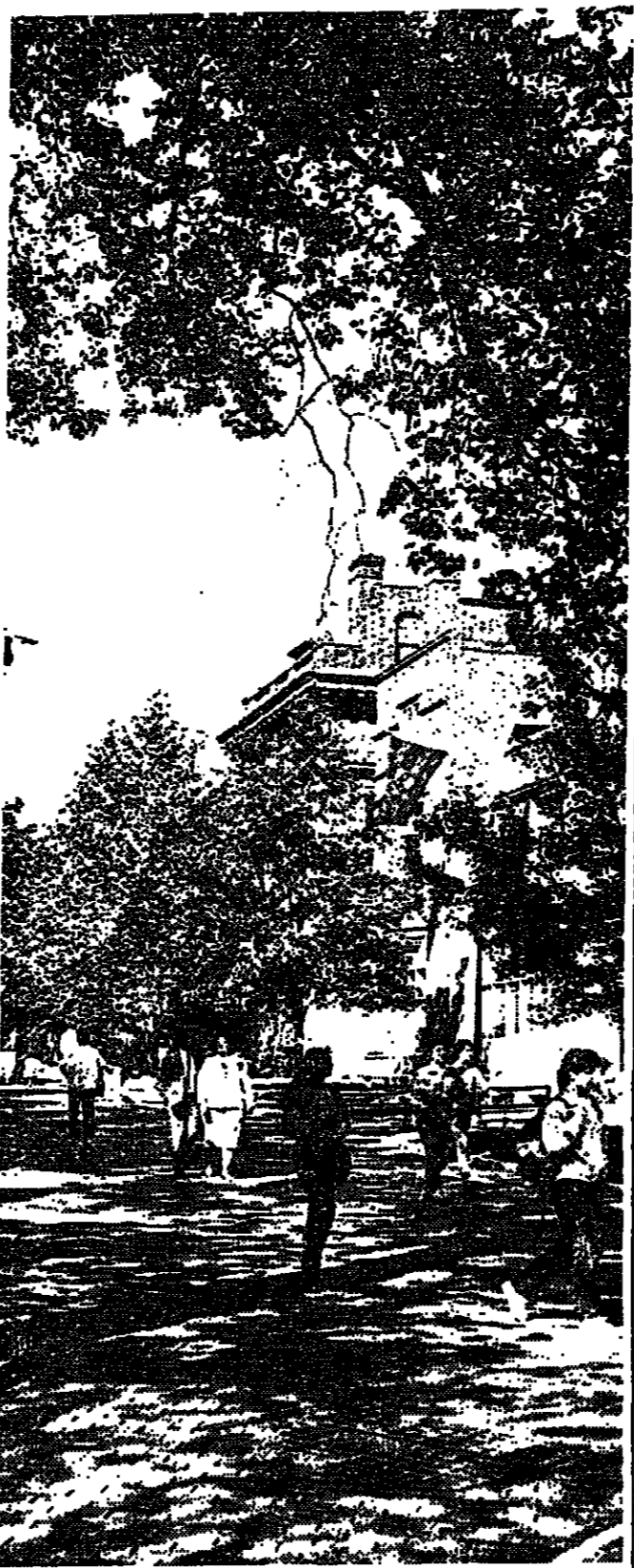
Help is also at hand from the state government, in the form of the Ben Franklin Partnership, named after one of the country's founding fathers.

Begin in 1982, the partnership, is considered by some to be one of the best economic development programmes in the country. It provides money to help bring together universities, industry and local job development agencies in Philadelphia and three other areas of the state designated as advance technology areas.

Start-up companies are also benefiting from "incubators" such as the University City Science Centre in Philadelphia. These are providing not only affordable accommodation for fledgling companies but also access to research and development facilities.

Taken together, the range of corporate and government initiatives offer cause for optimism that the regional economy will be able to reap some of the fruits of the entrepreneurship and research and development in the high technology sector.

Roderick Oram



The campus of Pennsylvania University: highly-rated universities contribute to the region's mood of enterprise

Manufacturing

New highways should let people reach jobs

THE HIGH technology sector continues to be one of the brightest spots of the regional economy, with a number of major manufacturers deciding in recent years to locate new operations, some for the first time, in Philadelphia or neighbouring counties.

The challenge for the late 1980s to local politicians, educators and business leaders, however, will be to ensure that the region does not fall victim to its own success.

Notable among the pressure points is the early stages of a labour shortage, which has arisen partly because of a mismatch of both skills and location between the people who are unemployed and the jobs that are being offered.

If these potential constraints are dealt with, then the growth seen through the 1980s is likely to continue. The area has already cemented its position as a leading high technology centre, perhaps the fifth largest in the country. The broadly-based nature of the local economy has masked this, however, so the region has yet to acquire the cachet or prestige of such east coast high-tech rivals as Boston.

The reputation would be justified, though, by the Philadelphia area's concentration of high-tech jobs; these account for 2.6 per cent of the nation's total, whereas its total workforce is only 2 per cent of the country's. While the region lost some 60,000 manufacturing jobs during a painful retrenchment of traditional industries in the decade up to the mid-1980s, high technology generated more than 10,000 new ones.

Creation of more high-tech jobs should be stimulated by a number of factors, including a boom in venture capital in the region and some major road improvements.

The recent end to a decade-long legal battle has allowed construction to resume on a major highway development, Interstate 476, which will greatly assist road transport in the western area. Many high-tech companies are already there, particularly in a corridor along Route 202, which runs west then south from the Pennsylvania Turnpike through the northern and western suburbs of the city.

One of the best candidates for

growth among high-tech sectors is military equipment, according to Frank Rapoport, who runs the government practice of Saul, Ewing, a large Philadelphia law firm.

Recent defence budget cuts will make the business much more competitive, which will make the region's advantages even more important. "We've got an infrastructure here that will help you get government contracts," said Mr Rapoport.

Elements include higher education institutions, local banks that have developed skills for lending for government projects, and a comprehensive network of lawyers, consultants and accountants to help companies through the thickets of government business.

Mr Rapoport has helped to establish the Delaware Valley Defence Council, which gathers together some 30 companies in the sector. One of its primary purposes is to help companies to share their expertise on how to deal with the Government. It also "educates congressmen on what government contracts mean to this area".

He already rates highly the effectiveness of the local congressional delegation in Washington. Defence spending is the lifeblood of a number of major local employers, such as Boeing Helicopter and Penn Shipbuilding, neighbours on the Delaware River downstream from the city of Philadelphia.

Boeing's workforce has risen from 4,500, in 1984, to around 6,700 now, although it is still substantially below the Vietnam war level of 14,000. It is currently rebuilding more than 300 Chinook helicopters, which have been in service with the US military since the 1960s. The upgrading programme, which will run until 1990, will keep the aircraft flying into the next century.

Its other main project is the V-22 Osprey, a joint venture with Bell Helicopter, a Textron subsidiary. The first prototype will fly this summer, leading to the production of some 800 aircraft worth \$23bn in coming years which will be shared with Bell. The Osprey project is involving some 200 Pennsylvania sub-contractors, and has also generated work for British companies such as Lucas, British Aerospace, Westland and Martin Baker.

Penn Shipbuilding has taken on a new lease of life with a contract to build four tankers for the US Navy. The first will be launched this summer, and will be the first new ship the yard has built in almost seven years, during which time it has survived on repairs and conversions. It is negotiating hard for more tankers in the same series, and to expand some existing tankers.

After Sun Oil had sold the yard in 1982 to Texas company, it funded for several years before being bought by some Alabama investors. They were attracted by its location at a major port and very close to the interstate highway system, railways and international airport.

The new owners have used the assets well by, for example, turning 45 acres into a container terminal, which draws on the shipyard's labour force at lower rates than the longshoremen's union elsewhere on the river. They have also invested in improvements and have learnt new modular methods of ship construction from IHI, the Japanese heavy engineering concern, resulting in extraordinary productivity increases.

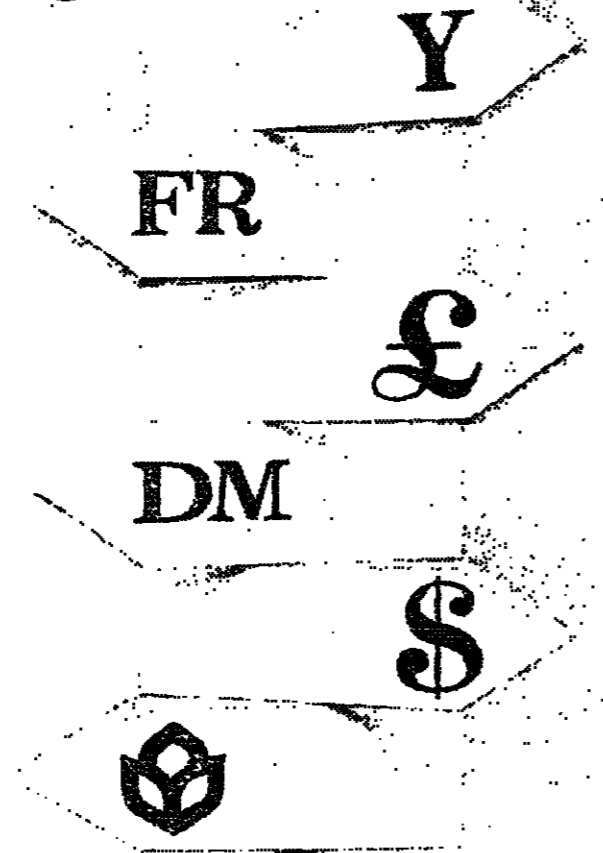
Having outlasted many of its competitors, Penn has a chance of long-term survival. Along the Atlantic seaboard, for example, it is one of only a handful of major shipyards and has one of three big dry docks. Following the demise of the last dry dock in New York harbour, the US Navy has had to change its home port rules, thus allowing Penn Shipbuilding to tender for more repair work.

This upturn in work has pushed Penn's workforce up by some 600 employees over the past year to 1,900. The company had to recruit from depressed shipyards in the south to fill some highly skilled slots, which reflected the tightness of the labour market in the area.

But Mr James Nealis, vice-president of administration, gave high marks to the company's educators for working with local businesses to meet labour needs. Given the lead times on the new navy contracts that the company hopes to win, he believes it will be able to add sufficient staff from the local pool.

Roderick Oram

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PHILADELPHIA 5

Frank Lipsius considers the city's tourist attractions

New hotels for old, and an air of small-town intimacy



Hunting down souvenirs in the Bourse shopping mall

PHILADELPHIA surprised even itself with the success of its Constitution bicentennial celebration.

The sudden recruitment of developer Willard Rouse, to head *We the People 200*, turned the city's general expectation of failure into a 50 per cent rise in total tourist revenues last August, and 100 per cent in September. The festivities emphasised long-running events with historic scenes to prevent the rush on July 4, and the strategy worked.

But it was not enough to overcome a lingering fear that the city has just not managed to keep up the pace as a tourist attraction.

A 5 per cent hotel room tax, instituted in 1983, allows the city to conduct a \$2m annual

advertising campaign and put about the same amount toward the building of a new convention centre. At \$400m, it would take a long time to finance with the room tax, but the state is making a major contribution in an effort to lure people to what the region considers one of the country's most deserving and unappreciated tourist destinations.

The building of a new 1,000-room hotel in conjunction with the centre is a sign that the city is not a lost cause, despite the recent loss of more than 1,500 hotel rooms with the closing of the Bellevue Stratford, Penn Centre and Philadelphia Centre and hotels.

In fact, the city already has replacements in Four Seasons, Sheraton, Society Hill, and the

purpose. "The important thing is to keep working. You can do that here and not in New York," Mr Zizka says, "while it is close enough to go there any time."

Surveys show that the Wilma's 2,600 subscribers overlap the city's other, better-known cultural institutions like the Philadelphia Orchestra and the Art Museum. The Wilma hopes to add a young crowd to this base, and is looking for a larger space in the downtown area.

So too is the Philadelphia Orchestra, which has plans for a \$85m to \$90m hall designed by Richard Venturi, the local architect who is also designing the National Gallery extension in London.

When Blanche Schlessinger and Barrie Van Dyck established the Philadelphia literary agency, the local Daily News commented about the launch party in November: "If someone had dropped a bomb...it would have wiped out Philadelphia's literary community."

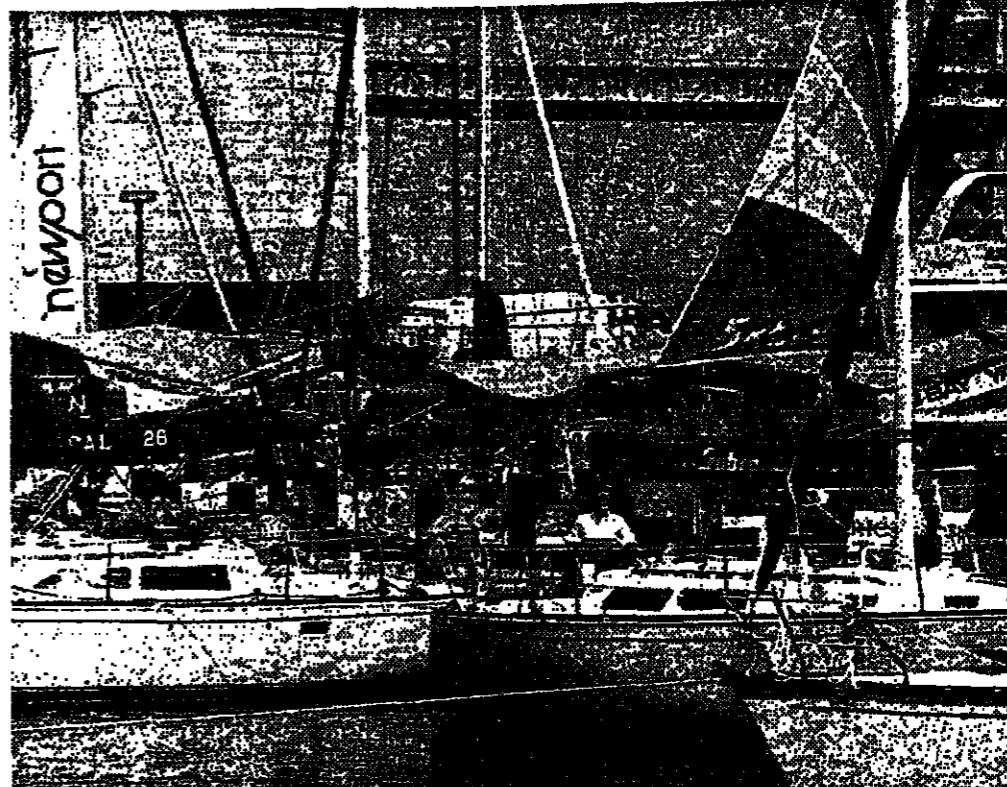
A long-term promoter of the Philadelphia book market, Mrs Schlessinger did not know what kind of reception she would receive in New York, but she said that publishers "were glad to have direct access to Philadelphia's large but diffuse literary talents."

An uninvited academic community includes the nationally-ranked University of Pennsylvania and the international Temple University, which recently set up a thriving branch in Tokyo.

Well heeled donors, like the William Penn Foundation, and the Pew Foundation support the arts in the city. Temple University has an art gallery in the middle of the Walnut Street shopping area, surrounded by private dealers in numerous media from many periods, including Helen Drutt's ceramics art with its national clientele. The Philadelphia Academy of Fine Arts, where Tomas Eakins taught, still flourishes to supply the local dealers, who also have ready access to the country's rich past.

Julie Courtney, director of the Temple Gallery, says that New York artists consider the gallery "a hot venue, because of its ground-floor location among commercial galleries and businesses in the heart of the city". Shows since it opened in 1986 have included works by Louise Bourgeois, Group Material and Komar and Malamid, who put a full-sized bust of Stalin in the window.

Besides attracting crowds to stare at the window, the show was a particular hit among the surprisingly large immigrant community which, like Jiri Zizka of the Wilma Theatre, finds Philadelphia a habitable urban environment in the midst of the best that the country has to offer.



The marina, Penn's Landing, on the Delaware River

In case you're off to Philadelphia in the morning...

Rivka Nachoma provides a guide for the visitor

DAILY TRAVEL costs in Philadelphia are some of the highest in the US, averaging \$206 per day, per person, including lodging, meals and rental car.

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Philadelphia National Bank Broad & Chestnut, 19101, tel 629-3100. Provident National Bank, Broad & Chestnut, 19101 tel 585-5000.

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Restaurants: A'Propos (continental), 211 S Broad, tel (215) 548-4424. Le Bec Fin (French), 1523 Walnut, tel 567-1000. Deja Vu (continental), 1609 Pine, tel 548-1190. Deux Cheminees (French), 251 Camac, tel 985-0367. Di Lullo (Italian), 1407 Locust, tel 567-3559. Frog (French), 1524 Locust, tel 735-8882. Hoffman House (German), 1214 Sansom, tel 925-2772. La Famiglia (Italian), 8 S Front, tel 922-2663. La Truffe (French), 10 S Front, tel 925-5062.

Shopping Hours: 10am - 6pm (Mon-Sat).

Shops: The Gallery (collection of shops), Ninth & Market. Wanamaker's (department store), Chestnut & 13th.

Entertainment: Academy of Music (concerts), (215) 893-1930. Annenberg Center (plays), 898-5791. Shubert Theater (plays), 735-4768. Veterans Stadium (sports), 463-1000.

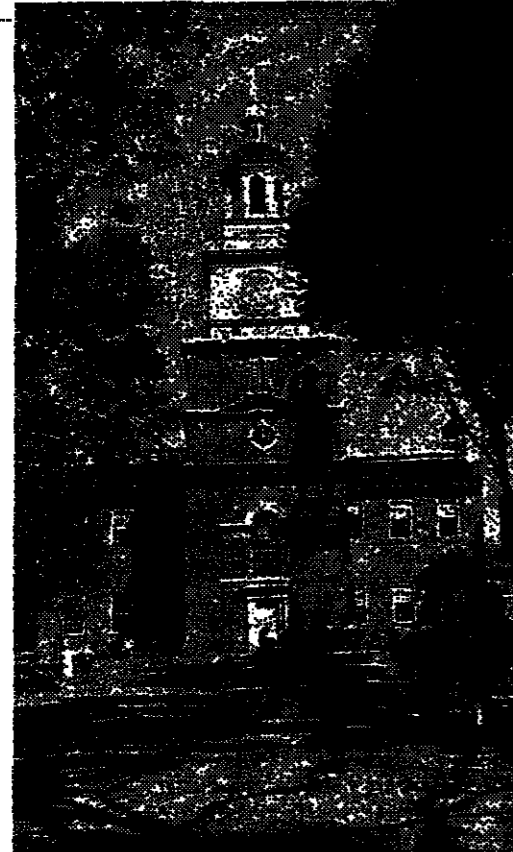
Museums: Academy of Natural Sciences, 19th & Ben Franklin Pkwy. Norman Rockwell Museum, 601 Walnut. Philadelphia Museum of Art, 26th & Ben Franklin Pkwy. Rodin Museum, 22nd & Ben Franklin Pkwy. War Museum & Library, 1805 Pine.

Other points of interest: Independence Hall, Chestnut between 5th & 6th. Liberty Bell Pavilion, Market between 5th & 6th. Mummers Parade, Broad Street, January 1.

Newspapers: Philadelphia Inquirer (morning); Philadelphia Daily News (afternoon).

Useful addresses: American Express, 2 Penn Center Plaza, tel (215) 587-2300. City of Philadelphia Chamber of Commerce, 1680 Municipal Services Building, tel 686-5606. Convention & Visitors Bureau, 1515 Market, tel 636-3000.

Emergency services: Alcoholics Anonymous, (215) 222-5840. Ambulance, 755-5768. American Automobile Assn, 589-4411. Dentist, 925-6050 (weekdays), 561-5281 (nights & weekends). Doctor, 563-5343. Legal Referral, 686-5698. Poison Control Center, 922-5533. Suicide Hotline, 686-4420.



PHILADELPHIA occupies a unique place in American history, and the city's Independence National Historical Park contains many reminders of the Revolution and the establishment of the US Government. Among them are Independence Hall (left), where the Declaration of Independence and Constitution were signed, and the Second Constitutional Congress decided to resist England, and Washington became Commander in Chief; also the famous Liberty Bell (above).

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TECHNOLOGY

Genentech's new drug, Activase, is being hailed as the biotechnology industry's first 'blockbuster', and has rekindled interest in the potential of genetic engineering in general

EAGLE EYE

by Louise Kehoe

GENENTECH'S recently released genetically engineered heart attack drug, Activase, has become the "most successful new drug ever launched," chief executive Robert Swanson boasted last week at an investors' conference in San Francisco.

The "blockbuster" that followers of the biotech industry have awaited for so long has finally arrived, he claimed. More than 100 heart attack victims were treated with the drug, which dissolves blood clots, in the Thanksgiving weekend immediately following its mid-November release.

In just seven weeks, Genentech clocked up sales of \$58m. The news has rekindled enormous excitement about the potential of genetic engineering in general, and about the prospects for new medical breakthroughs in particular.

Setting on breakthroughs

Among the most closely watched companies is Amgen, a California company that has developed a genetically engineered version of erythropoietin (EPO) a natural substance that can be used to treat anaemia in kidney dialysis patients.

Analysts estimate that there is an annual \$100m market for EPO when it wins approval from the US Food and Drug Administration. Amgen is building a manufacturing plant to produce the drug in large volumes, and this is scheduled for completion by mid-1988.

Amgen is also a leader in the race to test and market one of the proteins that is thought to control the human immune system. Granulocyte colony stimulating factor (G-CSF) is seen as a potential treatment for cancer patients whose immune system is damaged by radiation and chemotherapy treatment. In addition it could possibly help treat victims of AIDS.

This year, Amgen also hopes to begin tests of "human growth factors", substances that could dramatically speed the body's healing of wounds. Within a few

years they could help surgical patients go home sooner, burn victims recover faster and broken bones or ulcers mend more quickly.

Growth factors are normally released by the body at a wound site. Amgen has developed a way to produce large amounts in the laboratory. Animal tests indicate that by applying growth factors to a wound, perhaps in ointment form, healing can be accelerated.

Cells built for transplants

Another "hot" company in the biotech field is Hana Biologics of Alameda, California. The company has perfected a method of cloning human cells from donated foetal organs. These laboratory-grown cells could be used, the company believes, as transplants to replace cells that have been damaged by disease.

The major focus of work to date has been insulin producing "islet" cells of the pancreas.

While attempts to transplant live cells from human donors have proven problematic due to rejection, Hana Biologics believes that its laboratory-grown purified cells will not be rejected by the body and has recently begun human clinical trials. Cell transplantation also shows promise as a cure for Parkinson's disease, which results when a specific type of brain cell malfunctions and stops producing dopamine.

Last week the company also announced that it has begun a research programme to apply its cell transplant technology to the treatment of haemophilia. The researchers aim to demonstrate that the transplantation of specific liver cells (hepatocytes) can reverse haemophilia by producing proper levels of blood clotting proteins.

Time to put up or shut up

As these and other US biotech companies begin to launch significant new drugs, the pressure is building upon the entire industry to make

Fresh blood and new heart

WHAT WE ARE SEEKING, BREAKER, IS NO LESS THAN THE KEY TO FREE MANKIND FROM THE SHACKLES OF DISEASE. OR, PUT ANOTHER WAY, A LICENCE TO PRINT MONEY.



the leap from promises to products.

"Expect a shakeout, in the next year, of firms that have run out of time and money," warns David MacCallum, director of health care research at Hambrecht & Quist, the San Francisco investment bank.

He predicts that 20 to 30 per cent of the 110 publicly traded US biotech companies will either fail or be taken over in the next 12 months.

"Since the stock market crash last October, biotech firms that don't have products have been unable to raise funds," he explains.

Sticking to delivery times

"Take four times a day," the doctor says, but will the patient remember? All too often, prescription medicines are not taken correctly, especially if frequent doses are required. Even when the patient does follow the doctor's instructions, the amount of medicine in his bloodstream may be well above or below the ideal level, depending upon how long it is since his last dose.

To address these and other problems associated with drug delivery, Alza Corporation of Palo Alto, California, has developed a range of innovative systems for ensuring a constant dosage of medicine over extended periods.

Among the company's best known products are "time release" appetite suppressant capsules used by dieters and those band-aid like stickers that travellers wear behind the ear to avoid motion sickness.

Recently, Alza has developed important new applications of its methods of providing constant controlled doses of medication. The latest is Volmax, a controlled release form of the widely used asthma drug salbutamol which was launched in the UK this month by Glaxo.

Like the dieter's pills, Volmax tablets work on the principle of osmosis. The drug is coated with a semi-permeable membrane through which a tiny hole is drilled by a laser. Water is drawn into the tablet by osmosis, forcing the drug out through the hole in a steady stream.

A new application for Alza's transdermal patch currently under consideration by the US Food and Drug Administration could provide pain relief for cancer patients and those recovering from major surgery.

A patch has been designed to deliver fentanyl (a pain killer similar to morphine but almost 100 times more potent) over a 24-hour period. Currently, the drug is available only in injectable form and is used primarily for anaesthesia because its effects wear off very quickly in that form.

Administered through a transdermal patch, however, the drug's pain-relieving qualities can be prolonged, providing a valuable new treatment for chronic pain, as well as sparing patients the discomfort of frequent morphine injections.

Alza's transdermal patch is essentially a tiny reservoir of medicine that is stuck on the patient's skin. A rate-controlling membrane regulates the flow of medicine over a period of days or hours. Transdermal patches are widely used to administer nitroglycerin for heart patients and in hormone replacement therapy for post-menopausal women.

THIS TRANSDERMAL PATCH WILL RELEASE MEDICATION OVER A 24-HOUR PERIOD, PREVENTING YOU BORING PEOPLE WITH DETAILS OF YOUR ILLNESS



Hard at work in the medical school

Putting the products of biotech to work is largely the purview of teaching hospitals. Last week the University of Southern California medical school described results that it has achieved in the diagnosis of cervical cancer using laboratory techniques developed by Cetus, one of the major US genetic engineering companies.

The medical researchers are using a gene cloning technique developed by Cetus that enables them quickly to produce hundreds of thousands of copies of patients' sample cells. The reproduction makes it easier to identify cells that have been infected by a virus.

The USC researchers have been the first to report the application of this technology to the detection of viruses that are linked to the development of cervical cancer. Until now, the "human papilloma virus" has been difficult to detect, explains Dr John Martin, a pathology professor at the USC School of Medicine.

Conventional medical laboratory testing methods have failed to provide a reliable test for the virus. "With conventional techniques, the initial stages of infection have been difficult to pinpoint and the progression of early infections to cancer development has been difficult to follow," says Dr Martin.

The USC work could lead to a simple and highly sensitive test for the human papilloma virus. Although there is currently no specific treatment available for this virus, early detection would alert doctors to the potential danger of cervical cancer and the need for frequent follow-up exams.

Oxford sets fashion in designer genes

BY DAVID FISHLOCK, SCIENCE EDITOR

A NEW laboratory near Oxford, opened only last year, is doing brisk business in tailor-made genes for genetic engineers in the US and west-Europe. It has negotiated a distribution agreement with Beckman Instruments of Fullerton, California, to market in North America its catalogue of "designer genes" - a score so far - as high-value biotechnology reagents.

British Biotechnology of Cowley, Oxfordshire, even packages its precious genes like gems. They come in a vial containing 10 millionths of a gram of DNA (the basic substance of life), as a freeze-dried powder. The vial nestles in a white foam-lined case.

"We call it the jewellery box," says Tony Martin, general manager of the newly-created laboratory products division. "It's all part of the image of a high-quality, high-value reagent."

Martin's genes range in price from \$500 to \$5,000 per vial, depending on the size of the gene and the difficulty of assembling it. Brian Richards, co-founder and chairman of British Biotechnology, claims two companies with gene synthesis capability for gene synthesis have already turned to his production line for genes which they tried to make themselves but which "fell to pieces."

Richards, a molecular biologist and former head of G.D. Searle's bioscience in Britain - now sold to Monsanto - started British Biotechnology a year ago, in partnership with Keith McCullagh, previously his research director. They aimed from the start to combine contract research for specific sponsors on some ambitious, long-range targets in health care, with some high-value biotechnology products that might quickly put their venture in profit and facilitate rapid laboratory expansion.

From the start one idea was to use skills and technology in gene synthesis, originally developed for Searle. Richards says progress has been faster than they ever forecast because of their success in

identifying genes they can sell, in a field where several US biotechnology ventures had a head start.

Income from their designer genes could reach \$360,000 in the first year of trading, and Martin is forecasting \$3m a year within three years.

British Biotechnology claims to make genes more quickly and more accurately than anyone else in the reagent business. Ironically enough, Monsanto - which sold Searle's know-how - is one of the company's most valued customers, says Richards.

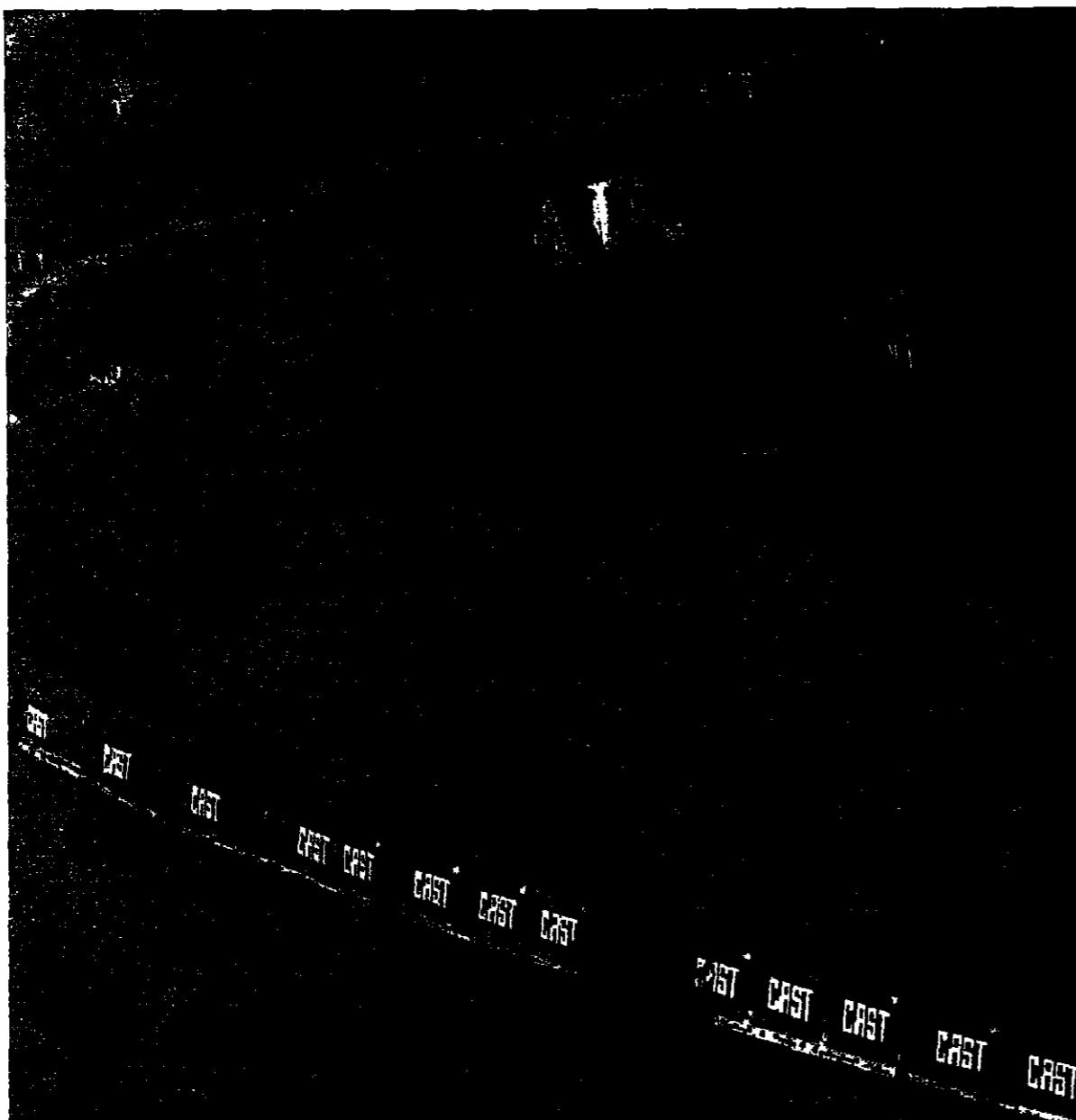
He adds that British Biotechnology is selling to scientists who didn't know that they needed our genes. Molecular biologists are only just catching on to the merits of buying genes off the shelf as if they were laboratory chemicals.

In one, the oligomers are first "phased" or treated to provide the necessary phosphate group, then annealed to their complementary partner to make double-stranded oligomers with short single-stranded extensions known by genetic engineers as "sticky ends".

Then the assembly is fully cloned into a suitable living organism - bacteriophage or plasmid vector. Genes for alpha-interferon and bovine rhodopsin are among the bigger ones made in this way.

The second assembly strategy mimics the amount of oligomer synthesis required. Endless variations are possible on the two themes, says Richards. The assembly strategy favoured by British Biotechnology uses oligomers of 50-80 base pairs with sticky ends of 5-7 base pairs. The company has developed computer software which minimises mistakes - illegitimate pairings - and maximises speed of assembly.

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work does not derive its calm, mature authority from the privileged, secluded process by which the artist has conducted himself in his own time...



'Le tigre mangeur de camion,' 1986, by Robert Combas

Whether it is natural or acquired, however, any such facility brings with it problems that are not lightly discounted. This question is central to any consideration of the work of Patrick Graham...

sonal in his predicament. In the end he gave up altogether, and it was several years before he started to draw again...

and mask-like head, for example, stated with seemingly perfunctory speed, in fact is drawn and modelled with scrupulous, delicate, almost old-fashioned facility...

primitivism, inviting but not always winning the sophisticated double-take. The others are both more straightforward and more surprising...

David Hockney's 'Tristan und Isolde'

Every American town of any pretension had its own opera company (even if it put only two or three productions a year) except, until recently, Los Angeles...

visual aspect was this a distinguished Tristan? The Vari-Lite system made a noise; in Act 3 one had to pretend that Atlantic surge below the cliff accompanied the shepherd's piping...

Gloriana/Sadler's Wells

The ballet suffered further in that the scale of incidents appeared far less theatrically effective: the distinctions between the courtly dances and the more intimate feelings of Elizabeth and Essex were lost...

Le Public/Théâtre de la Colline

Michael Coveney

Just opened in Paris is a splendid new theatre, constructed on the site of the old Théâtre de l'Est Parisien (TEP) in the rue Maite-Brun...

Arts Guide

- Music LONDON London Symphony Orchestra conducted by Wyn Morris with David Golub, piano, Beethoven and Rachmaninov, Barbican Hall (Thu), (888 8881).

- NEW YORK Chamber Music Society of Lincoln Center, piano, Schubert and Liszt (Mon), (80 91 26).

Saleroom/Antony Thorncroft

Chinese pictures popular

The saving graces of the art market at the moment are that, one, it is so international, and two, that it is so international...

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Tuesday January 19 1988

The taxation of marriage

AN OVERHAUL of the rules governing British taxation of husband and wife is expected to be a feature of Mr Nigel Lawson's budget on March 15. Reform is certainly overdue: despite two consultative papers this decade, legislation continues to treat women as chattels and anomalously allows couples where both spouses work to claim the equivalent of two-and-a-half single allowances.

A minimum requirement of reform is that husbands and wives be put on an equal footing. Equality of treatment however, leaves two fundamental issues unresolved. Should spouses be jointly responsible for their joint tax liabilities or separately responsible for their individual liabilities? In the case of individual responsibility, should allowances be fully or partially transferable between married partners?

Present law regards husband and wife as a unit: this is why their income is usually aggregated. The joint approach makes sense, especially in the treatment of investment income. It is not really sensible to pretend that one partner is wealthy and the other poor, divorce courts, after all, do not accept paper titles to assets as a determinant of spouses' true rights and responsibilities.

However, as the Institute for Fiscal Studies argues, "there now seems to be a consensus that the way forward is to end completely the present system of aggregation." Changes, such as the wife's earnings election, already point in the direction of taxing spouses solely on their own income, whatever its source. In 1986, Mr Lawson proposed separate taxation of investment income, accepting that the likely rearrangement of assets could lead to a loss of revenue. Independent taxation of spouses is somewhat artificial, but it at least guarantees wives full privacy and independence; it also avoids the inequity of making spouses responsible for their partners' actions, which are often beyond their control.

Favoured option

A shift towards individual taxation, including investment income, seems virtually inevitable. The controversial question is whether, and to what extent, spouses should be able to transfer allowances between themselves. Under full transferability (Mr Lawson's favoured option in 1986), a married couple

would get two single allowances regardless of whether one or both partners went out to work. This would pull some one-earner families out of taxation altogether. It would also ease financial pressures when women give up work to have children.

Full transferability, however, has many drawbacks, as the 1986 debate recognised. The principles of privacy and independence would be undermined. The husband's tax office would need to know every detail of his wife's earnings, even down to odd jobs in order to calculate his allowance. In practice, wives would have a strong incentive not to leave the home: a married woman's contribution to family income would be taxed at her husband's marginal rate from the very first pound she earned.

Most important, perhaps, transferability would represent an extremely costly and ill-targeted use of resources. Why give all couples two allowances regardless of the reason why one spouse stays in the home? Why allow non-working women to bring tax allowances to the marriage as dowries? The Chancellor should surely restrict the use of allowances, in the interests of broadening the tax base, and bringing down rates. Particular problems, such as the poverty trap and the burden of child rearing, are more efficiently tackled through the social security system.

There seems, therefore, a strong case for the introduction of equal, but non-transferable allowances. According to the IFS, at the same total cost as full transferability, the introduction of non-transferable allowances could be accompanied by: 2p off the basic rate, a rise in child benefit to £12, and substantial increases in supplementary and unemployment benefits. Non-transferable allowances would free resources to help the really disadvantaged.

Time to restart peace process

IN THE second half of last year, it became the received international wisdom that nothing could or should be done to relaunch the Arab-Israeli peace process until after the 1988 elections in the US and Israel.

Efforts to establish an international conference on the Middle East had run aground. The Israeli political system was paralysed. The Reagan Administration considered its hands to be tied as a result, and electoral politics were likely to preclude any new initiatives.

That reasoning has been overturned in the last five weeks by the most persistent wave of unrest in the West Bank and Gaza Strip in more than 20 years of Israeli occupation.

Within Israel, the disturbances appear to have hardened the divisions between those like Mr Shimon Peres, the Foreign Minister, who believe the international conference represents an acceptable forum for negotiations on the future of the occupied territories, and those such as Mr Yitzhak Shamir, the Prime Minister, who favour direct talks with Israel's Arab neighbours with involvement from outside the region. But for the rest of the world, the unrest and the Israeli reaction to it have emphasised the unacceptability of the status quo.

Outline agreement
 As the 1967 war becomes a distant memory, the Israeli occupation of the West Bank and Gaza looks less and less like the temporary affair which international law supposes it to be. In the absence of a domestic consensus on what to do, Israel continues to insist that the territories

future status is to be settled by negotiation, thus ducking the questions raised by their progressive integration into the Israeli economy.

The international community - and the US in particular - is at least partly to blame for the fact that these questions have not been posed with sufficient clarity over the past year. Last spring, there appeared to be a partial prospect that a conference could be convened. Mr Peres had an outline agreement with the US and King Hussein on the structure of such a gathering.

What was missing was a real US commitment to action. Mr George Shultz, the US Secretary of State, was disabused by Mr Shamir and his aides from travelling to the region to get negotiations moving. Partly as a result, Mr Peres failed to muster sufficient domestic support to take the plan forward.

Washington has always preferred the Labour Party as an interlocutor in Israel. Yet it hesitates openly to back Mr Peres, the Labour leader, for fear of being accused of meddling in the politics of the National Unity coalition.

This position is no longer tenable. The US, as provider of grants worth \$3bn a year, is the only country which could conceivably sway the debate within Israel. It is entitled to expect sensitivity to its concerns.

THE BID FOR SOCIETE GENERALE

The grand design of Mr De Benedetti

By Tim Dickson, Paul Betts and Alan Friedman

MR CARLO DE BENEDETTI has forced Societe Generale to try to make more sense out of and provide more direction for what is by any standards a motley collection of activities.

The arrival on the board in late 1984 of Viscount Etienne Davignon, the man best known as architect of the European Commission's steel restructuring plan, was seen as opening a new chapter in the company's fortunes - one that would give new impetus to the company's strategy of diversifying its range of activities and its shareholder base.

Viscount Davignon's international contacts and aristocratic Belgian connections - an essential requirement for dealing with the local business establishment - have helped inspire a number of recent deals. Among them are an aircraft leasing venture with the Sumitomo Group of Japan and the French company Indosuez, involvement in the break up of IIT's European telecommunications businesses through a stake in Alcatel, and participation with Dutch interests in rubber and oil trading activities.

New international shareholders were acquired last autumn through the issue of new shares to (among others) the Lazard group and Artois-Biedboer, the brewery. At that stage, Mr De Benedetti's Paris holding company, Cerus, had disclosed a 1 per cent interest, and appeared to be playing the role of a friend of the management.

Mr De Benedetti says, indeed, that it was only very recently that he decided to move into Societe Generale. "You may not believe it, but we took the decision only this month," he said yesterday.

The seeds of the operation were sown in December, when the aggressive French financial services firm Dumenil-Leble approached Mr De Benedetti. Dumenil-Leble, which has grown rapidly from its beginnings as a bond broker, was anxious to strengthen its balance sheet. It also wanted to put a chunk of its shares into friendly hands, to avoid the risk of a takeover while its share price was depressed after October's stock market crash.

Dumenil-Leble had already accumulated about 4 per cent of Societe Generale's shares - and this attracted Mr De Benedetti. Cerus acquired a 10.19 per cent stake in

Dumenil-Leble, and plans to raise that to 25 per cent by injecting FFr 750m.

Mr De Benedetti and his French lieutenant, Mr Alain Minc, Cerus's managing director, started to plot a joint move on Societe Generale with Dumenil. Between them, they acquired during the last few days the bulk of the 18.6 per cent stake in Societe Generale - Dumenil-Leble building up its shareholding in the Belgian group to 10.8 per cent and Cerus to 7.8 per cent.

Mr De Benedetti gave few details of his plans for Societe Generale. He said there were a number of lame ducks in the Belgian company but that its management had already started a process of restructuring. He also suggested that Societe Generale had a problem with the size of its average holdings. But otherwise, he confined himself to reassuring generalities. "I am not a corporate raider but a corporate builder," he said. "My aim is to bring something to Societe Generale and not take anything away."

Mr De Benedetti added that nationalistic sentiment against his entry into Societe Generale was perfectly understandable. "But I think it is less justified in a country like Belgium which is the seat of the Community." Belgium was likely to become the centre of the Community in 1992, he argued, and it was in the interest of Belgium to see a new major European holding company based in the country.

For Mr De Benedetti, the stalking of Societe Generale



de Belgique is undoubtedly the most ambitious step so far. Until only a couple of years ago, he was best known for his rescue of Olivetti.

Mr De Benedetti's ambitions were too great to be confined to Olivetti. As the Milan stock exchange roared into its 1985-86 boom, he managed to raise \$2.6bn through a series of share issues for newly formed investment companies. In quick succession, he took over the Buitoni foods group, and a string of financial services and publishing businesses in Italy. He bought effective control of Valeo, the French car components group, and of the Triumph-Adler office equipment group in West Germany - and he formed a Geneva-based investment vehicle which is meant to be the start of a Europe-wide financial services operation.

Mr De Benedetti's empire-building has resulted in a financial and industrial holding company which last year

achieved combined revenues of \$1bn on the industrial side and \$3bn from a range of financial interests. The De Benedetti empire, controlled by Cofide, his ultimate family holding company, employs more than 100,000 people.

Even in the wake of the recent crash in share prices, the empire still has a total stockmarket capitalisation of more than \$9bn.

To that empire, Mr De Benedetti wishes to add a truly imperial prize - Societe Generale was founded by the King of Belgium more than 165 years. He is up against a formidable opponent.

Societe Generale de Belgique may be vulnerable because of its wide spread of shareholders, and their loyalty may owe little to its recent performance. But as the Board's Governor Mr Rene Lamy illustrated yesterday there are powerful defences in the locker. In the same breath as politely rejecting Mr De Benedetti's advances, Mr Lamy announced that the company would shortly be issuing 16m new shares into safe hands, diluting the Italian raider's potential stake from more than 83 per cent if his offer were to be approved by the regulatory authorities to just under 20 per cent.

This "poison pill", acquired when shareholders agreed last September to a substantial increase in the company's authorised capital, has by no means seen off Mr De Benedetti. For the moment, however, it frustrates his ability to win a 25 per cent blocking minority. "Cerus delivered a knock out blow but Societe Generale has been saved by the bell," was how one leading Belgian stock market analyst put it last night. The referee's position is ambiguous, however. Last week, the Belgian Banking Commission

expressed its disapproval of the tactic, a hotly debated talking point in Brussels since the expensive operation by Royale Belge, the country's second largest insurance company, to fight off a French predator and Societe Generale's own rampart building in the wake of the first round of takeover speculation last summer. The issue has recently been revived by the moves of the French insurance group Assurances Generales de France to take effective control of Assubel, the third largest Belgian insurer.

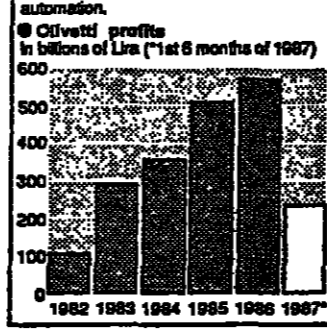
The Banking Commission is a Government controlled body which discreetly polices stock market activity. It indicated, in its annual report published last week, that companies should not use authorised capital increases once a takeover bid had been announced. Mr De Benedetti's bid has not formally been announced, however, so Societe Generale may well be in the clear.

Yesterday's statement from La Generale's elegant headquarters - appropriately positioned between the Royal Palace and the Belgian Parliament - is understood to have been officially cleared by the Banking Commission.

A senior executive of the company insisted that it is abiding by the rules. He emphasised that Societe Generale's bid because it would interfere with the company's new strategy. "We are already moving in this sort of direction. It is nothing personal. It is nothing nationalistic. We have our own plans, and he doesn't fit into them." Mr De Benedetti may not fit into Societe Generale's plans: the question, however, is whether the company can be brought to fit into his ambitions.

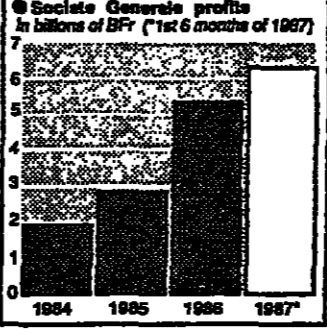
The De Benedetti empire

- Carlo De Benedetti chairman of Olivetti
- Holding companies: Cerus (France); Cofide (Italy); Compagnie Industrielle Financiere (Italy)
- World revenues: \$144bn (includes industrial & financial)
- Interests: banking, insurance, metals, publishing, pasta (Buitoni), fashion (Yves St Laurent), car components and office automation
- Olivetti profits in billions of lire (1st 6 months of 1987)



Societe Generale

- Rene Lamy chairman of Societe Generale; Viscount Etienne Davignon joined board in 1984
- Estimated assets: FFr 187 billion (end of 1986)
- Interests: financial services, energy, engineering, electronics, media, telecommunications, non-ferrous metals, chemicals, diamonds, cement & transport
- Societe Generale profits in billions of FFr (1st 6 months of 1987)



Sri Lanka's big loss

Sri Lanka has lost its most reliable lifebelt. Ronnie De Mel, the Commonwealth's longest-serving Finance Minister has finally quit as the island sinks deeper into civil division, intransigence and debt.

Sri Lanka has managed to stay afloat as the four-year-old conflict between the Sinhalese majority and the Tamils worsened, it is largely because he persuaded the international financial community that someone in Colombo someone was working on a political solution. He apparently no longer believes that to be the case.

Affable, articulate and, above all, a man of reason, De Mel despaired at the spectacle of an indecisive President Jayewardene being led by Sinhalese hardliners who view any measure of Tamil autonomy as a threat to their existence. De Mel was also increasingly uncomfortable with the fact that his ruling United National Party had not held general elections since 1977. Far from being a victory for Sri Lanka's hawk, De Mel's departure will do their cause abroad no good, though they are unlikely to see it that way until their bankers start tightening the purse strings.

Incidentally, he also has a fine palate. At the Dorchester not long ago he sent back a decanted claret, saying it was '62 not '63, and turned out to be right.

New Tory rebel

Only two new Tory MPs voted against the Government in the Official Secrets debate last Friday. One was Rupert Allason, the Member for Torbay, who has a special interest in the subject and whose defection was not surprising.

OBSERVER

ing. He said that he thought it was preferable that the Government should try to tell back-benchers what to do on such matters. He has been told to report to David Waddington, the Chief Whip, today and intends to say much the same thing.

He claims that after the vote at least three of his fellow Tory new Members told him that they wished they had gone along with him. The main constraint was the other Tory rebels. "It's distasteful enough," says Devlin, "to vote in the same lobby as Tony Benn and Diane Abbot, both left-wing Labour MPs, but for a new Tory to vote with Ian Gilmour and Ted Heath really takes courage."

First of many

Lord Carrington will be returning to an old stomping ground when he relinquishes his post as Nato Secretary General in the spring. He has accepted the chairmanship of Australia and New Zealand Banking Group's International Board of Advice, an economic think tank that meets about once a year. Lord Carrington was chairman of ANZ bank from 1967 to 1970 and chairman of the group from 1969 to 1970. No doubt, however, there is much more to come.

Rico's rebellion

The 43-year old leader of the latest Argentine army rebellion, ex-Lt. Colonel Aldo Rico, has been a controversial figure throughout his military career. About to lead the armed forces into a bloody confrontation between fellow officers, his history of insubordination began at the age of 18 as an officer cadet when he was suspended from his third year of studies

The Listening Party



"We're now the listening party - except John Prescott, of course."

for disobedience to a senior cadet.

He returned a year later to finish his course and emerged as a lieutenant in 1964. Despite the early blot on his career, he was none the less considered an outstanding officer for his "judgment and initiative and his natural physical strength." He became a rifle marksmen, a parachutist, and in 1968 took a commando course, which equipped him to lead a unit of Commandos in the 1982 Falklands War.

In 1976 he entered the Superior War College in Buenos Aires, a staff training school for officers who go on to become senior commanders. After two years of study, a report on his progress commented: "He is an officer of adequate professional and general knowledge and with rapid mental reaction. (But) he possesses a strong and individualist character which makes his

integration with others difficult. He should be more careful in the formal aspects of his duty, fundamentally in his way of expressing himself."

His strong will brought him immediately into conflict with his superiors when he arrived in the Falkland Islands on May 27 1982, and demanded to be sent into combat instead of carrying out vital reconnaissance duties for which his 60-man commando unit was well equipped. He was later fiercely to criticise his commanding officers during the war, when he led last Easter's uprising in the Campo de Mayo infantry school in Buenos Aires and which resulted in half of the army's chiefs of staff and unit commanders being sacked after they refused to put down Rico's rebellion.

Since then he has continued to agitate within the armed forces for changes in the high command, despite being held under house arrest until his flight to the Monte Caseros garrison at the weekend where he is now leading the new rebellion.

His principal demand is that the army's strategy of eliminating over 9,000 political militants during the "dirty war" of the 1976-83 military dictatorship, be recognised as a necessary, and indeed a glorious victory, with the implication that those responsible should be honoured rather than imprisoned. It looks like the thick end of the wedge.

Growing up

Some people may have had doubts, but Lord Grade is absolutely certain that his young nephew Michael will turn out to be a distinguished chief executive of Channel 4.

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Human rights still denied

From Dr Steve McGiffen. Sir, Your article on relations between the European Community and Turkey fails to note the attitude of the European Parliament. This is a serious omission...

Letters to the Editor

The case for VAT on credit cards

From The Vice President, Corporate External Affairs, American Express Europe Ltd. Sir, Professor Sandford's "A unique chance for reform" (January 12) asserts that "housing and financial services are very difficult to include within VAT"...

Aim was to make a capital profit

From Mr Tim Yeo MP. Sir, Recent comment on the role of the Bank of England in supporting the dollar prompts me to draw attention to the only public advice I have ever offered the Chancellor on this subject...

IT HAS always been a risky business to take any government's public policy statements at face value. But there are few areas where the decoding process has to be developed to such a fine art as arms control and defence strategy.



FOREIGN AFFAIRS

Nato policy is ripe for review

As the Geneva negotiations on cuts in strategic nuclear weapons resume, the arms control and defence strategy debate in the West is, more than ever, being conducted by governments on two levels: the public megaphone and the behind-the-hand whisper.

Robert Mauthner examines the discord within the Western Alliance over nuclear weapons

French governments stress that such talks must wait until negotiations on both strategic nuclear weapons (Start) and conventional and chemical arms have been completed. The US administration is less outspoken. "Behind the hand", however, one is told that there is no chance of Washington supporting negotiations on short-range nuclear missiles until the proposed Start reductions have been fully implemented.



People can choose to watch or not

From Mr Peter Browning. Sir, Once again: thanks to Chris Barber for putting most powerfully the case for grown-up television (January 6). It needs to be pointed out constantly that whereas the depiction of even remotely explicit sex brings loud protests from a minority, the repeated showing of murder, violence and blood-letting is, for the most part, deemed acceptable.

A difficult path to tread

From Mr P.A. Temperton. Sir, Michael Dixon's "Word Problem" (January 6) requests assistance in finding a name for the activity of hiring people to re-establish their careers. Always from a cabin staff, re-hired when their children were no longer dependent, identified themselves as "Re-Treads", and were proud to do so.

Transport which uses the Thames

From the Chief Executive (River). Sir, The various reports in the press recently about a proposal to build a motorway tunnel along the Thames were both interesting and news to me. As the owner of the river bed along which the Thames might be laid and the body responsible for navigation and licensing on the tidal Thames from Teddington to the sea it is surprising that the Port of London Authority has not been consulted about the feasibility of such a proposal even at this early stage.

operated by Thames Line Pic, starts its service during 1988. D J Jeffery, Port of London Authority, Europe House, World Trade Centre, E1

Extra on roads will mean cuts

From Mr Paul Harford. Sir, I feel obliged to put on record the Association's dismay at the comments made by Mr Paul Channon, Secretary of State for Transport, on the Chancellor of the Exchequer's Autumn statement. The arguments are not new. They have been discussed several times in the last two years between Ministers and the Association's representatives - of all political parties.

Government is now "providing" for higher current expenditure on local roads than local highway authorities are actually spending on them. In 1988-89 we are expecting to budget for £1.13bn for road maintenance, 12 per cent below the Government's "provision". However, as we have pointed out to Mr Channon and his officials many times, the extra sums allocated for this purpose over the last couple of years have not been accompanied by any increase in real terms in the total grant paid to us by the Government, nor in the total amounts which the Government is prepared to see local authorities spending on all their services. It is not a matter of the Government having provided more money for us to spend on roads, and us having spent it on something else instead. There is no more money available.

Environmental impact of opencast mining can outweigh its profits

From Mr Malcolm Brocklesby. Sir, Mr Emery's letter (December 21) demonstrates with frightening clarity the threat to the British Countryside from opencast coal-mining. It is to be regretted that the impact of the few industrial processes which leads to no permanent loss of countryside. How or why he should make such a statement is difficult to comprehend.

land. The CPRE acknowledge this and to the best of my knowledge have never opposed such an application. But, at the current rate of extraction, opencast is taking an area of land the size of Bedfordshire every 30 years and the NCB is seeking to increase this by 50 per cent. This will inevitably result in an increasing proportion of extraction from mature rural areas which will be restored to their original state. As Director General of the Federation of Civil Engineering Contractors, it is reasonable to assume that Mr Emery's statement represents the state of knowledge of the Federation's members or their attitude towards their environmental responsibilities. Either alternative bodies III for the British

countryside. He concludes by suggesting that the opposition stems primarily from the NUM or the political aspirations of its supporters. This also is incorrect. The problem is simply that the opencast operators are trying to destroy too much of our countryside too quickly. Those who oppose them are those of all political persuasions who value the British countryside.

Cardiff is an important industrial and artistic centre and ideal for the Patent Office

From Mr Colin Adams. Sir, Iain Baillie (Letters, January 6) is wrong to condemn the suggested relocation of the Patent Office from London to Cardiff. While we do not yet know exactly how the Patent Office will operate if and when it moves to Cardiff, there is little doubt that it will adopt all the advanced communications technologies of "fax", electronic mail and on-line computer. From Cardiff the Patent Office will be able to talk to the world and the world to talk back. The minds of the inventors and innovators have made it possible to have the office in Cardiff and ensure an improved service to all concerned.

Wales in the late 1960s and trades with countries all over the world. Many of its customers visit Wales, without difficulty or added expense. While we do not yet know exactly how the Patent Office will operate if and when it moves to Cardiff, there is little doubt that it will adopt all the advanced communications technologies of "fax", electronic mail and on-line computer. From Cardiff the Patent Office will be able to talk to the world and the world to talk back. The minds of the inventors and innovators have made it possible to have the office in Cardiff and ensure an improved service to all concerned.

puter centre at Newport. Gwent, which will initially employ 400 people, with the possibility of a further 2,000 over the next few years. The TSB is a large, complex organisation. It studied many location options and finally saw the wisdom of being in Wales. Past experience has shown that Government offices operate well in Wales. The Patent Office will be made very welcome, and I am confident that it will provide to all its users, worldwide, an excellent service from Cardiff.

You don't have to look far to see why we lead the way in exhibitions and conferences.

Earls Court and Olympia are right in the heart of the capital, and house some of the world's most famous shows. The Ideal Home, the Boat Show, Motorfair and the Royal Tournament. Each year, trade exhibitions like the International Food Exhibition, British Electronics Week, Interior Design International, World Travel Market and the London International Furniture Show are growing in importance. In Autumn, 1989, we're opening Earls Court 2, a 17,000sq. m. exhibition hall, and the biggest to be built in London for fifty years. Our new Olympia 750 delegate Conference Centre goes from strength to strength. For further details of the Earls Court & Olympia Group contact Chris Vaughan on 01-385 1200 or write to him at Earls Court Exhibition Centre, Warwick Road, London SW5 9TA.



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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Tuesday January 19 1988



BRITISH CLEARING BANK TO CUT 240 JOBS

Midland quits UK equity business

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MIDLAND BANK, one of Britain's main clearing banks, is to pull out of the UK institutional equity business after failing to achieve a profitable market share.

In 1986, Phoenix Securities, the corporate finance offshoot of Morgan Grenfell, has been asked to find a buyer for the remaining business.

Although Midland will try to transfer as much as possible of its business to Capel, the decision will be left to individual clients.

Mr Ernst Brutsche, chief executive of Midland Montagu, said the decision would free resources to concentrate on stronger sides of the business.

Robins studies three rival bids

By Our New York Staff

THE DIRECTORS OF A.E. Robins began meeting yesterday to consider improved offers from the three international pharmaceutical companies competing for control of the bankrupt US drugs group.

Sterling Drug rejects bid by Roche as 'inadequate'

BY JAMES BUCHAN IN NEW YORK

STOCK IN Sterling Drug, the diversified New York drugs group, rose sharply yesterday in response to its announcement that talks were under way to sell the group.

Drug would "pursue vigorously" the lawsuit filed against Roche last week, which accuses the Swiss group of insider trading and failing to disclose financial information required by US securities laws.

cent to SFr415.9m, John Wicks reports from Zurich. The slight decline in sales reflected the further appreciation of the Swiss franc.

IU rejects increased bid of \$590m

By Our Financial Staff

NEOAX, the US investment group, has rejected its bid for all shares of IU International to \$19 per share from \$17.50, valuing the US distribution and environmental services group at \$590m.

NCR and Wang Lab profits rise as Tandem growth slips

BY ROBERT ORAM IN NEW YORK

NCR AND WANG Laboratories yesterday reported higher profits as further evidence of the moderately good health of the US computer industry.

Order growth last year was broad-based geographically and by product lines. Although US orders were higher, the strongest growth came from Europe and the Pacific.

Operating cash flow was \$21.1m in the latest quarter, reflecting better asset management and cost control, the company said.

British investor studies steel site

AN INVESTOR group led by Mr Michael Wilkinson, a British businessman, has signed a letter of intent with Wheeling-Pittsburgh Steel to buy portions of the steelmaker's Monessen site.

Bank of Montreal 'far-sighted'

BY ROBERT GIBBENS IN MONTREAL

MEXICO'S PLAN to exchange up to US\$20bn of international bank debt for about US\$10bn of Mexican long-term bonds backed by US Treasury securities could well prove "an exceptionally far-sighted step," Mr William D. Mulholland, chairman of the Bank of Montreal, said yesterday.

international banks burdened by Third World debt, he told the bank's annual meeting.

recently proposed a debt-equity conversion plan to the Brazilian Government. Implementation of this had begun.

Honda to expand Canadian unit

HONDA MOTOR, the Japanese vehicle group, said its Canadian unit would spend C\$80m (US\$62.5m) to expand its Alliston plant.

Avon to sell health unit for \$228m

BY OUR FINANCIAL STAFF

AVON PRODUCTS, the US cosmetics and toiletries group, plans to sell its Foster Home Health Care division to Abbey Medical, a wholly owned subsidiary of Vantech Healthcare of Toronto.

of the durable medical equipment and respiratory therapy business and a majority interest in the infusion therapy business, Avon said.

and 3,300 employees in 35 states. Revenues in 1987 were about \$250m.

Olympia & York lifts Abitibi stake

OLYMPIA & York Developments, the Toronto-based property group, has acquired an aggregate of 1.5m common shares of Abitibi-Price, the Canadian newspaper group, and is now the beneficial owner of a total of 1.5m common shares, or about 74.8 per cent of the outstanding common.

Banker charged over Sealion deal

BY STEVEN BUTLER IN LONDON

THE SINGAPORE Government yesterday lodged charges against Mr Michael Taylor, the branch manager of Standard Chartered Bank for allegedly providing misleading information during a government inquiry.

and had his passport impounded. The charges were brought by the Criminal Affairs Department of the Ministry of Finance.

Standard Chartered acquired the Sealion shares in 1986, when they were held as collateral for loans to the Malaysian businessman, Mr Yap Yeong Seong.

Elkem doubles stake in Alcoa Nederland

BY KAREN FOSSLI IN OSLO

ELKEM, the financially troubled Norwegian metals group, has increased its stake in Alcoa Nederland from 25 per cent to 50 per cent to gain a stronger foothold in the European Community's aluminium industry.

per cent of its annual aluminium production. Conversely, Alcoa increased its stake in Elkem's Norwegian Moeal aluminium plant by 5 per cent, changing the structure to a 50/50 joint ownership by Elkem and Alcoa.

Alcoa Nederland has an annual turnover of NKr1bn (\$162.7m) and comprises a rolling mill and extruding facilities. It produces aluminium profiles, structural members and finished products for the EC building industry.

Kjelland, the company's managing director. Mr Kjelland stepped down from his post following criticism of the group for expanding too strongly into the loss-making ferro-alloys market.

Ford names Trotman as new chief for Europe

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

FORD, the US automotive group, has appointed Mr Alex Trotman chairman and chief executive of Ford of Europe in a series of senior management changes announced yesterday.

Mr Trotman, 54, joined Ford in the UK from the Royal Air Force in 1955 as a student trainee. He has held a series of managerial positions in product planning in both Europe and the US, before being appointed

KNP expects earnings to rise by 43%

By Laura Raun in Amsterdam

ROYAL DUTCH Paper Mills (KNP), the Dutch paper and board producer, said its earnings for 1987 would surge 43 per cent to FI 190m (\$100m) from FI 132.6m the year before.

Advertisement for IMI BANK INTERNATIONAL, featuring ECU 100,000,000 8 per cent Guaranteed Notes due 1991, and a list of international banks including Istituito Mobiliare Italiano, Crédit Lyonnais, and others.

INTERNATIONAL COMPANIES AND FINANCE

Afbank well ahead despite bad debts

By Jim Jones in Johannesburg

AFRICAN BANK (Afbank), the largest South African banking company largely managed by blacks, suffered from an increasing incidence of bad debts in the year to September 30, 1987.

Nevertheless, the disclosed profit increased to R53,000 (\$52,000) from the previous year's R58,000 as the bank recovered from the bad publicity surrounding allegations of earlier foreign exchange contraventions. Afbank's staff was augmented by experienced personnel from Trust Bank when these came to light.

Mr Gabry Magomola, the new managing director, says bad debts were especially prevalent in the black sector where most of Afbank's retail lending takes place. Poor demand for credit from acceptable borrowers obliged the bank to reinvest deposits in the corporate sector rather than to make retail loans.

Mr Magomola was appointed managing director in April last year after his predecessor, Mr

Moses Manbane, was dismissed in the wake of the foreign exchange problem. Mr Manbane has since died.

The bank faces court action in February, but Mr Magomola expects its foreign exchange licence to be restored once the case ends.

The alleged contraventions involved a practice known as "round tripping", whereby funds were illegally externalised in commercial banks and used to buy South African shares abroad in financial rands. The shares were then repatriated to South Africa for sale at a profit in commercial rands.

In financial 1987, Afbank deposits increased to R115.5bn from R70.7bn at the end of the previous year. Mr Magomola says the rise was largely due to increases in corporate rather than retail deposits. Advances rose slightly to R124bn at the end of September against R79.4bn a year earlier.

Petronas profits hit by lower crude oil prices

By Wong Sulong in Kuala Lumpur

PETRONAS, the Malaysian national oil corporation, has reported a 34 per cent decline in pre-tax profits to 4.3bn ringgit (\$1.7bn) for the year ended last March, due to weak oil prices, on turnover down by 24 per cent to 8.34bn ringgit.

Profit after tax and minority interests was 36 per cent lower at 2.36bn ringgit. The results do not include the accounts of the 90 per cent subsidiary, Bank Bumiputra, which is the country's second largest bank.

Raja Mohar Badiozaman, Petronas' outgoing chairman, said that the lower earnings were due to crude oil prices falling to an average of \$12.86 a barrel from \$25.80 previously. Revenue from the export of liquefied natural gas also fell because of weaker gas prices.

He said the price of Malay-

sian crude oil was expected to be between \$18 and \$20 a barrel for the current year and that group turnover should increase by 16 per cent.

At the end of March last year, Petronas' general reserves had increased from 13bn ringgit to 14bn ringgit while the group's liquid fund investments were valued at 13.4bn ringgit.

Group contributions to federal and state government revenues, in terms of royalties, taxes, export duties and dividends, amounted to 5.3bn ringgit compared with 7.1bn ringgit during 1986-87. Petronas was very successful in attracting new foreign investments in oil exploration and the petrochemical industry.

Gordon Cramb on one of the Tokyo SE's worst performers last year

Shiseido looks beyond the superficial

SHISEIDO, Japan's top cosmetics maker, is putting on a brave face. Its shares were among the worst performers on the Tokyo Stock Exchange last year, falling by a third. While expanding its marketing efforts abroad, the company has suffered from a clogging of inventories at home, a difficulty which has been accompanied by changes both in its management and financial profile.

Last October Shiseido warned that pre-tax profits for its latest year, due to be released within the next few weeks, would be halved to some

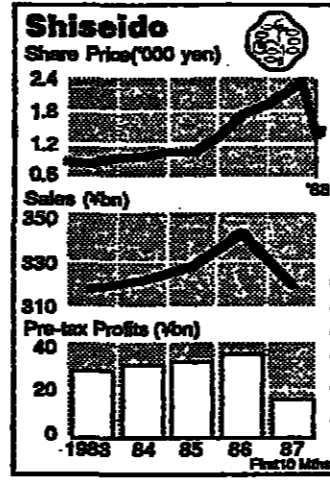
is reconciled to a further two years in which, as with the period which ended last November, profitability will be constrained by write-offs as it rationalises its main business.

He is also, in Japanese fashion, untroubled by noises of short-term investor anguish. "The main bankers and securities companies related to our company are all supporting our decision," he says. "They are saying that it shows a healthy management attitude."

Shiseido accounts for about 30 per cent of all cosmetics sold in Japan, a share twice as large as that held by the second-placed Kanebo. But industry watchers say that new entrants such as the soap maker Kao have made inroads into a market which in any event has slipped to barely 1 to 2 per cent growth over the past three years as the sector, along with its population, matures.

and which occupies 500 of its 13,000 staff - it is seeking avenues in pharmacology and genetic engineering which would also bring applications in a new generation of cosmetics.

"Probably if you go to other cosmetics companies you won't find anybody spending nearly as much," says Mr Fukuhara.



Accumulation of excess stock

Y16.5bn (\$12.8bn). Analysts had been expecting at worst a flat to slightly lower result, and the announcement - the week before Black Monday - prompted a sharp downward reappraisal of the company's value ahead of the market-wide retreat.

The rupture in earnings stems from the urgency with which Mr Yoshiharu Fukuhara, newly installed as president of the company founded by his grandfather 115 years ago, is tackling a Y300bn accumulation of excess stocks at its domestic sales ofshoots.

Mr Fukuhara, while reluctant to apportion blame for the piling up of goods equivalent in rough terms to a year's supply,

To combat this, the company has been broadening its basic consumer business into toiletries and food, as well as exploring pharmaceutical ventures which would gain from Japan's ageing society. Drawing from its 18th century roots as the first Western-style chemist in Japan, Shiseido says that its involvement in health and beauty has always gone beyond the superficial.

As part of an active research and development programme which will have taken close to 5 per cent of Shiseido's Y320bn sales for the year just ended -

Acids are being cultivated by biotechnological means which act as a binding agent. These can be used for medical purposes, for example in eyedrops or as a salve for skin burns. Equally, they have humectant properties which allow cosmetic facial creams to retain their moisture.

Elsewhere, the company is using its strong domestic image to establish restaurants, boutiques, beauty salons and fitness centres, all under the Shiseido name. Cosmetics still bring in more than 80 per cent of turnover but toiletries have been growing at double-digit rates to account for some 12.5 per cent and other activities contribute the rest.

If the strategy at home is founded on diversification while reactivating cosmetics demand with new products, Shiseido's international approach requires something different. Although its presence abroad covers 7,400 stores in 20 countries, and overseas sales are approaching 10 per cent of the total, the lines to be found there are restricted to the premium end of its product range. At home Shiseido might be Japan's Bevlon, but in Europe and North America it can compete fairly credibly with Chanel.

Certainly, it is choosing carefully the company it keeps. Harrods won the rights to its coveted UK launch last year, for which the store gave over

its entire central hall and Shiseido shipped in computerised skin diagnostic equipment to promote Mr Fukuhara's idea of "high technology with a human face." He expects annual British sales of \$5m within five years, by which time the number of outlets will have risen to 200.

In the US, where it has been since 1966, the original mid-market product range was killed off in favour of a more exclusive selection which matched what the company was seeking to do in Europe.

Domestic strategy of diversification

A seven-year-old operation in France has brought useful connections with Paris couture houses - last November it joined Hermes in a venture to sell the French company's perfumes in Japan, aiming for an initial Y500m sales this year.

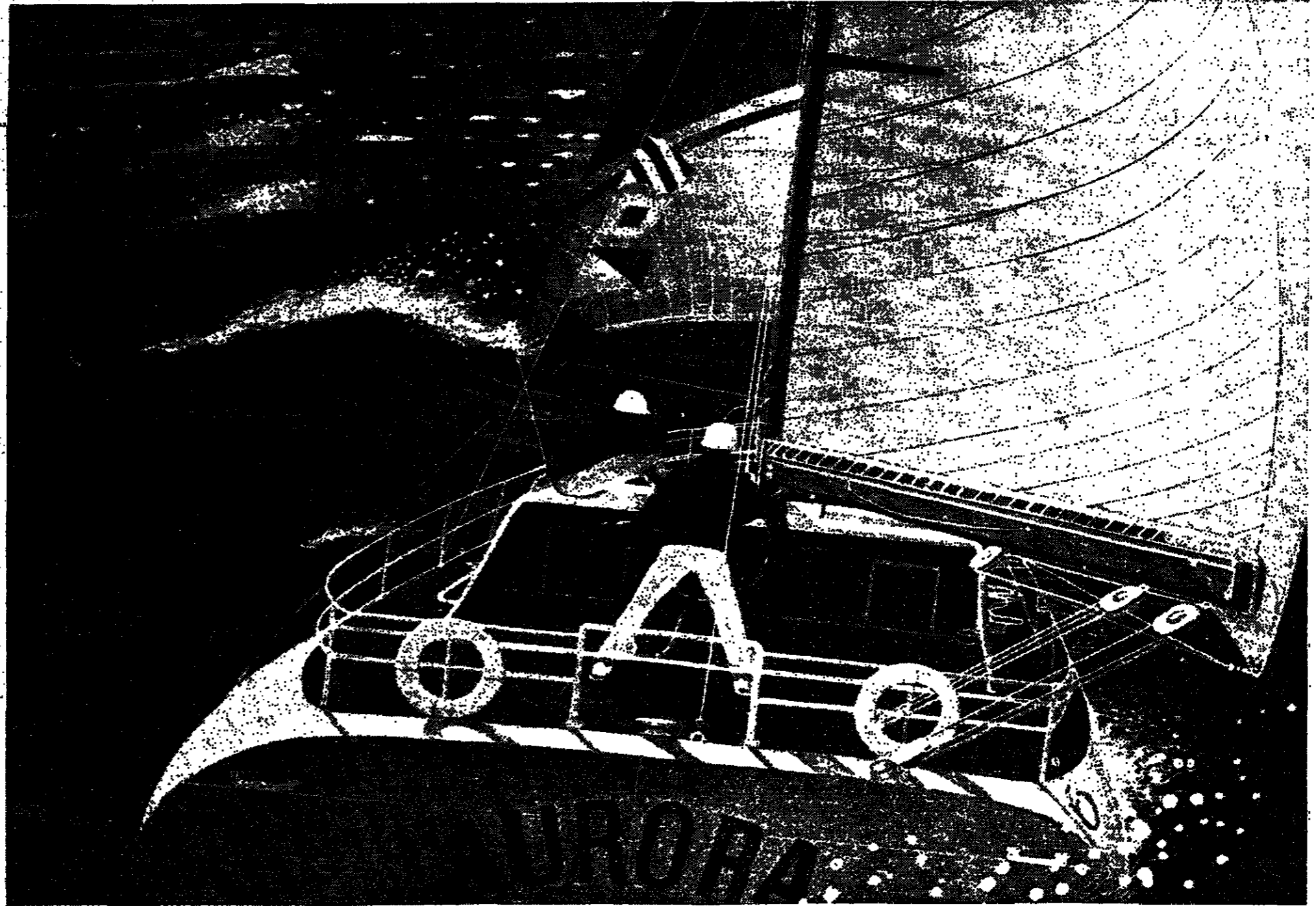
Just over half Shiseido's international products are manufactured abroad, in six countries, helping to shield its overseas ambitions from the appreciating yen. But this promotional push remains not much more than a useful adjunct to a dominant domestic position which it will have to defend with vigour - and with rather more vigilance than its recent inventory build-ups suggest.

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LAND SECURITIES PLC

Notice of Meeting of Holders of £84,000,000 6 1/2 per cent. Convertible Bonds Due 2002

NOTICE IS HEREBY GIVEN that a MEETING of the holders of the £84,000,000 6 1/2 per cent. Convertible Bonds Due 2002 of Land Securities PLC (the "Company") consisting of a first meeting on 30th July 1987, will be held at Landsec House, 21 New Fetter Lane, London EC4P 4PY on Thursday, 11th February, 1988 at 10.30 a.m. for the purpose of considering, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution:

THAT for the purposes of the Trust Deed dated 30th July, 1987 creating the £84,000,000 6 1/2 per cent. Convertible Bonds Due 2002 (the "Bonds") the Company be and is hereby authorised from time to time and at any time during which conversion rights in respect of the Bonds remain outstanding to purchase for cancellation its own Ordinary Shares PROVIDED THAT the maximum price at which any such shares may be purchased is an amount equal to 105 per cent. of the average of the middle market quotations for such shares as derived from The Stock Exchange Daily Official List for the 10 business days immediately preceding the day on which the shares are contracted to be purchased and the minimum price is the par value of such shares from time to time, in both cases exclusive of expenses.

Dated 19th January, 1988 By Order of the Board L.A. Jones Secretary

Registered Office: Landsec House, 21 New Fetter Lane, London EC4P 4PY

Bonds may be deposited with or to the order of any of the Paying and Conversion Agents, the names and specified offices of which are set out below, for the purpose of obtaining voting certificates or obtaining proxies at any time up to 10.30 a.m. on 9th February, 1988 but not thereafter.

The Extraordinary Resolution, if duly passed, will be binding on all the Bondholders whether or not they were present or represented at the Meeting and whether or not they voted in favour.

In order for the Extraordinary Resolution to be passed at the Meeting, a quorum must be present and a majority is required in favour consisting of at least three-fourths of the votes cast at the Meeting in respect of the Extraordinary Resolution.

The quorum for the Meeting is two or more persons present holding Bonds and/or voting certificates and/or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding. If no quorum is present the Meeting is required to be adjourned to a date between 14 and 42 days thereafter.

At an adjourned Meeting, unless new voting certificates or forms of proxy are received, the voting certificates or forms of proxy received for this earlier meeting will remain valid.

Copies of a letter from the Chairman explaining the proposal may be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 11th February, 1988 from the Paying and Conversion Agents, viz:-

- PRINCIPAL PAYING AND CONVERSION AGENT: The Chase Manhattan Bank, N.A., Woodgate Street, London EC2P 2HD
- PAYING AND CONVERSION AGENTS: Banque Bruxelles Lambert S.A., Chase Manhattan Bank Luxembourg, 24 Avenue Marix, B-1050 Brussels; Chase Manhattan Bank (Switzerland), 63 Rue du Rhone, CH-1204 Geneva

Morgan Stanley Group Inc. Floating Rate Notes Due 1993

Interest on the above securities for the interest period of January 13, 1988 through July 12, 1988 is scheduled to be paid on July 13, 1988 at the interest rate of 7.5875% per annum. The interest amount will be \$388.65 per \$10,000 of principal.

The First National Bank of Chicago Reference Agent January 15, 1988

INTERNATIONAL CAPITAL MARKETS

Clare Pearson on changes to Swiss bond syndication rules

Big three loosen their grip

AMID SIGNS of strain in the main issuing syndicate that could ultimately change the face of the foreign bond market - 1988 has got off to an unusually lively start for bankers in Switzerland.

When changes in the rules of the main bond issuing syndicate, which controls about 70 per cent of the new issues market, were announced last November, no one could say whether they would prove restrictive or liberalising.

The alterations, basically allowing more flexibility to existing syndicate members and admitting new entrants to the club, could equally as well have tightened its cartel-like grip as shown the seeds of its decline.

The picture is still blurred, but the evidence so far - admittedly on the basis of the 10 working days in which the changes have been in force - now seems to weigh in favour of the latter interpretation.

The most important sign has been the refusal last week of two of the big banks, Union Bank of Switzerland and Credit Suisse, to join the underwriting group Swiss Bank Corporation was assembling for a SFr250m bond for ICI Finance Netherlands.

Further, six other members of the main syndicate, including Swiss Volksbank and Bank Leu, also turned down the privilege of participating in a deal for one of the international capital markets' most sought-after borrowers.

This would have been unthinkable before the liberalisation of the syndicate's rules, because no member was then allowed to refuse to underwrite a deal led by another member - in practice, almost always one of the so-called "big three" - unless in very restricted circumstances.

But among the bunch of changes agreed last year, member banks won the right to turn down co-management positions

in any issue they disagreed with.

The first time this loophole was taken advantage of was when Swiss Bank Corporation launched a SFr75m deal for Wuerth Finance International, a subsidiary of the West German tool manufacturer, early this month. Union Bank of Switzerland opted out of this deal, though it could have argued that this was because the borrower was not well enough known.

ICI's deal seems far more significant, and has been taken by some as a barometer of how competition for mandates between the "big three" is heating up. In the last resort, none of them is now prevented from launching a deal just because the other two disagree wholeheartedly with the pricing.

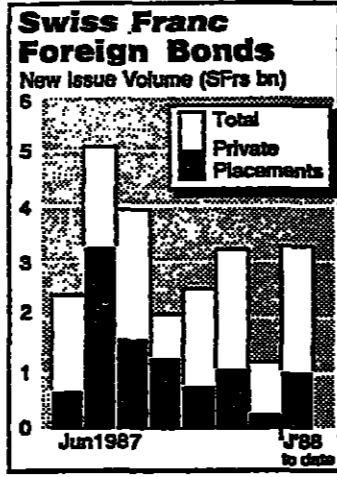
Presumably, only profound disagreement with the pricing of the bond - due in 1999 with a 4 1/2 per cent coupon and 9 3/4 issue price - could have induced UBS and Credit Suisse to put their relationship with ICI at risk by not joining its issue.

This is especially the case as ICI is believed by some bankers to have been concentrating recently on building up a small group of relationship banks for its international borrowings.

However, it is a rare borrower in the Swiss franc market where it has not launched a bond since 1979. ICI itself was unable to comment on its borrowing policy yesterday.

Many non-syndicate members are keen to point out that the reaction to ICI's deal could establish a precedent for "negative reciprocity" - or put simply, "since you didn't join my deal, I won't help you out with yours." Taken to its logical conclusion, this could blow the syndicate's market.

Against this, there are still powerful pressures on syndicate members not to turn down participations. Notably, the prohibition on their co-managing issues led by outsiders is



still in force, so they are dependent on the big three for a flow of paper.

When the changes were originally announced, there was widespread speculation that Deutsche Bank (Suisse) would become the first foreign bank to join the syndicate. This has not occurred, although an executive at Deutsche Bank said yesterday it was something that was talked about "from time to time."

Speculation about the workings of the main syndicate has mounted partly because this month has been extremely fertile with new issues, with SFr3.2bn worth emerging so far. The environment has been a weak dollar, stimulating international demand for Swiss francs, a continued drift to quality, away from the equity market, and falling Swiss interest rates.

However, an unusual number of bonds has been priced in anticipation of further interest rate falls, rather than in relation to the secondary market. Aside from ICI, Sweden and Credit Foncier de France, among others, have launched deals on aggressive terms.

Pricings like this may be a further indication of heightened tension between the big three, even though many of the deals have been private placements where accepting a co-management within the main syndicate is optional.

Nevertheless, the big three banks have led most of the issues for sovereign and supra-national borrowers so far - an indication that though it may be becoming harder for them to syndicate their deals, the plum mandates are still falling easily into their hands.

Banque Paribas (Suisse), by contrast, seems to have paid a high price for launching a 10-year bond for Japan Highway Public Corporation, which made it the first foreign bank to lead an issue for a Japanese public entity. Its coupon of 4 1/2 per cent looked meagre and the bond was quoted at less than bid.

Foreigners rush back into shares in Japan

By Stefan Wagstyl in Tokyo

FOREIGN INVESTORS have rushed back into the Japanese stock market, buying shares worth ¥117.3bn (\$924bn) in the first week of the new year - the second highest weekly total on record.

It was the fourth week in a row in which overseas investors had been net buyers, after heavy sales in October and November following the plunge in world stock markets.

Tokyo stockbrokers said they expected foreigners to continue buying Japanese shares. The new year figures had been boosted by a Japanese Government decision to ease rules on Tokkin funds, important domestic sources of investment funds, they said.

However, US and European institutions, particularly companies committed to worldwide investment, were increasing their investments in Japan, recognising that it now accounted for about 40 per cent of world stock market capitalisation.

The highest weekly figure for foreign purchases of Japanese stocks was ¥140.8bn, recorded in March 1986. The totals include purchases by overseas subsidiaries of Japanese companies.

Figures from the Bank of Japan confirm that foreigners have earned from net sales of Japanese securities. After totalling \$13.1bn in October and \$8.5bn in November, net sales of stocks and bonds by foreigners were \$1.1bn in December.

The Japanese Ministry of Finance plans to ease restrictions on borrowing in the Euroyen market by resident Japanese companies.

The ending of a long-standing ban on medium and long-term borrowing will virtually complete the long-awaited liberalisation of the Euroyen market by the Japanese authorities. Their restrictions had in any case been almost meaningless since they were widely circumvented through the use of currency swaps.

Euroyen loans are yen-denominated credits given by foreign banks and overseas subsidiaries of Japanese banks. The ban was opposed by Japan's powerful long-term credit banks, which feared that their business, based on Japan's system of controlled interest rates, might be hurt by the spread of medium-term lending.

However, short-term Euroyen lending was decontrolled in 1984, while restrictions on long and medium-term lending to non-residents were lifted in 1985.

Norway springs surprise \$500m Eurodollar issue

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

BONDS WITH a combined value of more than \$1.5bn were launched into the international markets yesterday, amid signs of a tentative shift in sentiment among international investors after the US trade figures announced on Friday.

Norway is convinced that the news of a \$19.2bn US trade deficit in November marks the turning point for the US dollar, but the possibility of a steadier US currency appears to have led some cash-rich insurance and investment institutions to the decision that the time had arrived to pick up some longer-term paper.

The US Treasury bond market rally on Friday - the 30-year benchmark bond jumped 2 1/2 points for a gain of 4 1/4 on the week - provided yesterday's positive backdrop for the Eurodollar bond market - further buoyed by a 10 1/4 per cent rise in the Tokyo market's morning by the Tokyo market's apparent contentment with the new price levels.

Even more reassuring was the fact that in Friday afternoon's rally, Eurodollar bond prices were matching those in the US Treasury market almost step-for-step, meaning that the usual widening of yield spreads between the two markets did not occur.

The US bond markets closed yesterday for the holiday marking Martin Luther King's birthday, the noise usually generated by New York's gyrations was absent in London and Norway. However, the time was ripe to launch the largest Eurodollar bond issue seen so far this year.

The \$500m, five-year issue, lead managed by Merrill Lynch Capital Markets, was priced with a 8 1/2 per cent coupon and a 10 1/4 issue price. This gave a yield over the five-year US Treasury note of 60 basis points, when priced at full fees. That spread had narrowed to 56 basis points later in the day, and the issue was quoted at a discount within its total fees of 1 1/2.

Norway's move came as something of a surprise, since the country had declared its intention not to tap the international bond market this year.

The issue was a well-timed piece of opportunism which hit the market's mood and the bonds appeared to move very

quickly, despite the downgrading last year of the country's debt by one of the main US rating agencies. Moody's, while Standard & Poor's has held to its to-flight AAA rating.

As the Norway issue was digested, another top-flight issuer decided to tap the market. Caisse Centrale de Cooperation Economique, issuing under the guarantee of the Republic of France, went ahead with a \$300m bond

Prices of DM Eurobonds generally were unchanged to slightly lower than on Friday, although the domestic market declined by up to 40 basis points from Friday's fixing. Eurobonds continue to benefit compared with domestic issues because of the proposed introduction of a 10 per cent withholding tax in West Germany.

Against a slightly firmer yen bond market, Banca Nazionale del Lavoro launched a ¥20bn, five-year issue carrying a coupon of 5 1/2 per cent and a price of 10 1/4 through Sanwa International. The lead manager quoted the issue at a discount equivalent to fees.

In Ecu, Kredietbank International launched an Ecu 50m issue for its own Netherlands subsidiary, priced at a 7 1/2 per cent coupon and 10 1/4 issue price. The risk in the issue will be in Belgian francs - a conversion rate will be set four days before the payment date.

In the equity market in Japanese equity warrants, two issues were launched. Both were bank-guaranteed for \$100m, carried five-year maturities and were par priced. The issues for Loxco, postponed from October last year, was through Nikko Securities and rose to a premium of more than 2 per cent, while that for Showa Electric through Daiwa Europe rose to an even sharper premium of around 10 1/2.

In the Euroyen market in Japan, issues are expected in the sector, and if they continue to perform in this fashion it probably will not be long before issuers start to pressure securities firms to cut the coupons.

CSFB increased the sterling floating rate note launched last week for BMC Mortgage Securities No 2, to \$175m from \$150m.

Yesterday saw a welcome let-up in new issues in the over-lodged primary sector of the Swiss franc foreign bond market. Prices of floating rate bonds closed a touch firmer even though many investors found their attention diverted by the improving market in shares.

Among bonds traded for the first time yesterday, a SFr75m 10-year per cent coupon for Wuerth Finance International closed at 9 3/4, 1/4 point lower than its issue price.

INTERNATIONAL BONDS

Country	Issue	Amount	Price	Yield
USA	5-year Treasury	\$1.5bn	10 1/4	60bps
Norway	5-year Eurodollar	\$500m	10 1/4	60bps
France	5-year Eurodollar	\$300m	10 1/4	60bps
Italy	5-year Eurodollar	\$200m	10 1/4	60bps
Spain	5-year Eurodollar	\$100m	10 1/4	60bps
Japan	5-year Eurodollar	\$100m	10 1/4	60bps

Brokers' role in question

THE PARIS stockbrokers' association called yesterday for more precise rules on multiple capacity for securities firms, AP-DJ reports from Paris.

The request follows allegations by the Commission des Operations de Bourse (COB) of abuses by two Paris firms, Boscher and Puget. Both firms strongly denied the accusations

Latin American fund proposed

REPRESENTATIVES of five South American governments, meeting in Caracas, have recommended the establishment of a new financial entity - called the Latin American Reserve Fund (Fondo Latino-Americano de Reservas) - designed to assist regional governments in covering their balance of payments deficits.

Officials say that the new entity is not meant to replace the IMF, but to complement its activities in Latin America and the Caribbean. The new fund would be built on the foundation of an existing entity, the Andean Reserve Fund (Fondo Andino de Reservas), which was set up 10 years ago with capital of US\$500m by the

Seven-year credit for Turkey

By Peter Montagnon, World Trade Editor

STANDARD CHARTERED Merchant Bank is syndicating a \$92.2m, seven-year credit for Turkey which comprises a commercial package of financing for the Ankara gas project west last December by AMRC International of the UK.

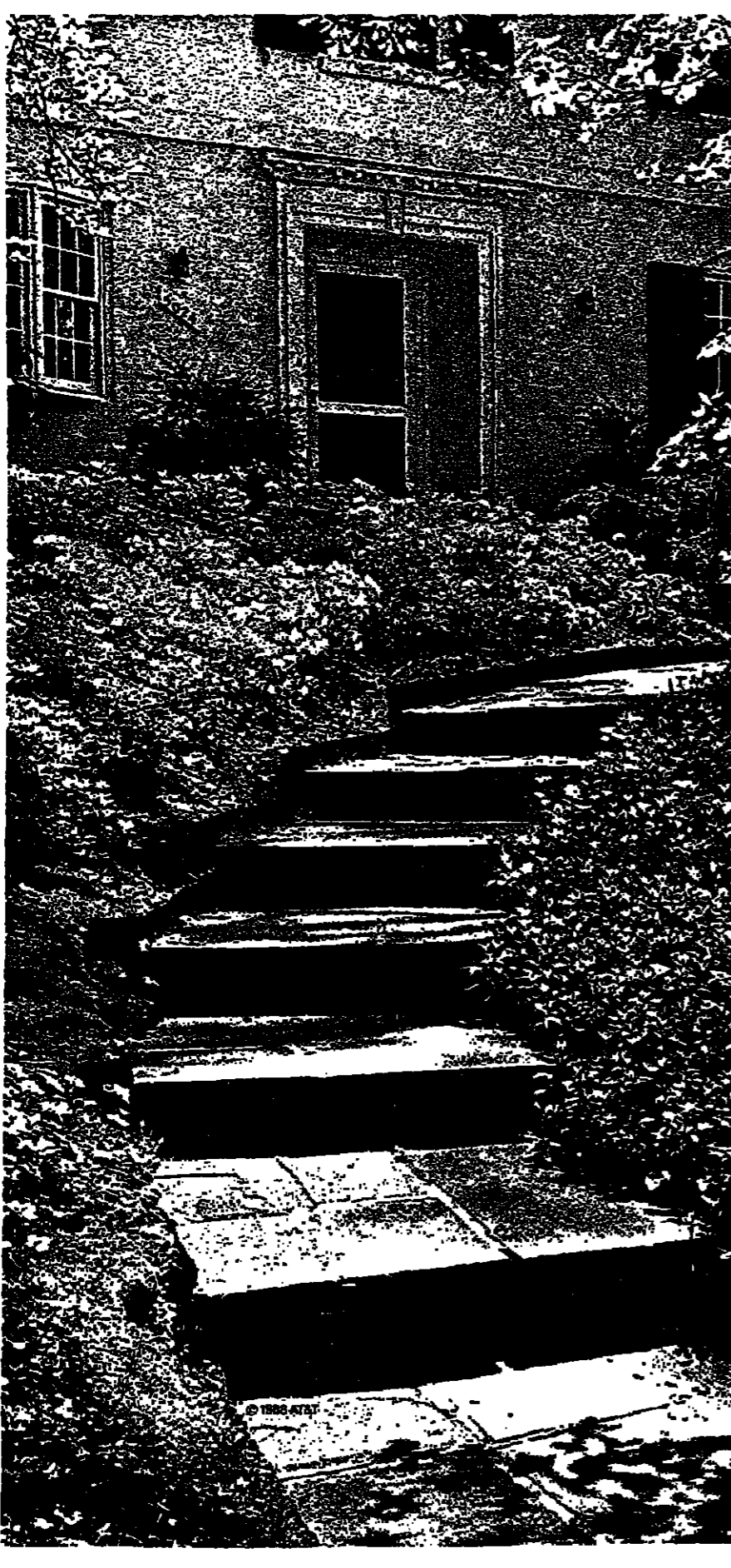
The loan bears interest at a margin of 1 1/4 per cent over the London interbank offered rate for Eurodollar deposits (Libor). It is part of a package which Standard Chartered is assembling for the project that also includes a separate UK government soft loan of up to \$50.4m with a 20-year maturity and 1.75 per cent interest rate.

The package is being followed closely in the export finance market because it is the first time the British Government has agreed to provide a soft loan for Turkey. It has allocated up to \$31.5m from its Aid and Trade Provision to subsidize the loan.

AMRC International of the UK was the deal to convert Ankara's gas system to handle Soviet natural gas in the face of tough competition, notably from an Italian consortium led by Italgas. It carries a basic price of \$150.2m but the UK financing package is also intended to cover an expected British Gas consultancy contract.

The deal is still subject to contract and is now expected to be signed in early February.

The annually large UK aid element is thought to reflect the strength of the competition for the deal as well as the British Government's desire to avoid a repetition of the row that followed the award of the second Bosphorus bridge contract. This agreement to a Japanese consortium that the UK failed to match aid payments promised by Japan.



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FT INTERNATIONAL BOND SERVICE

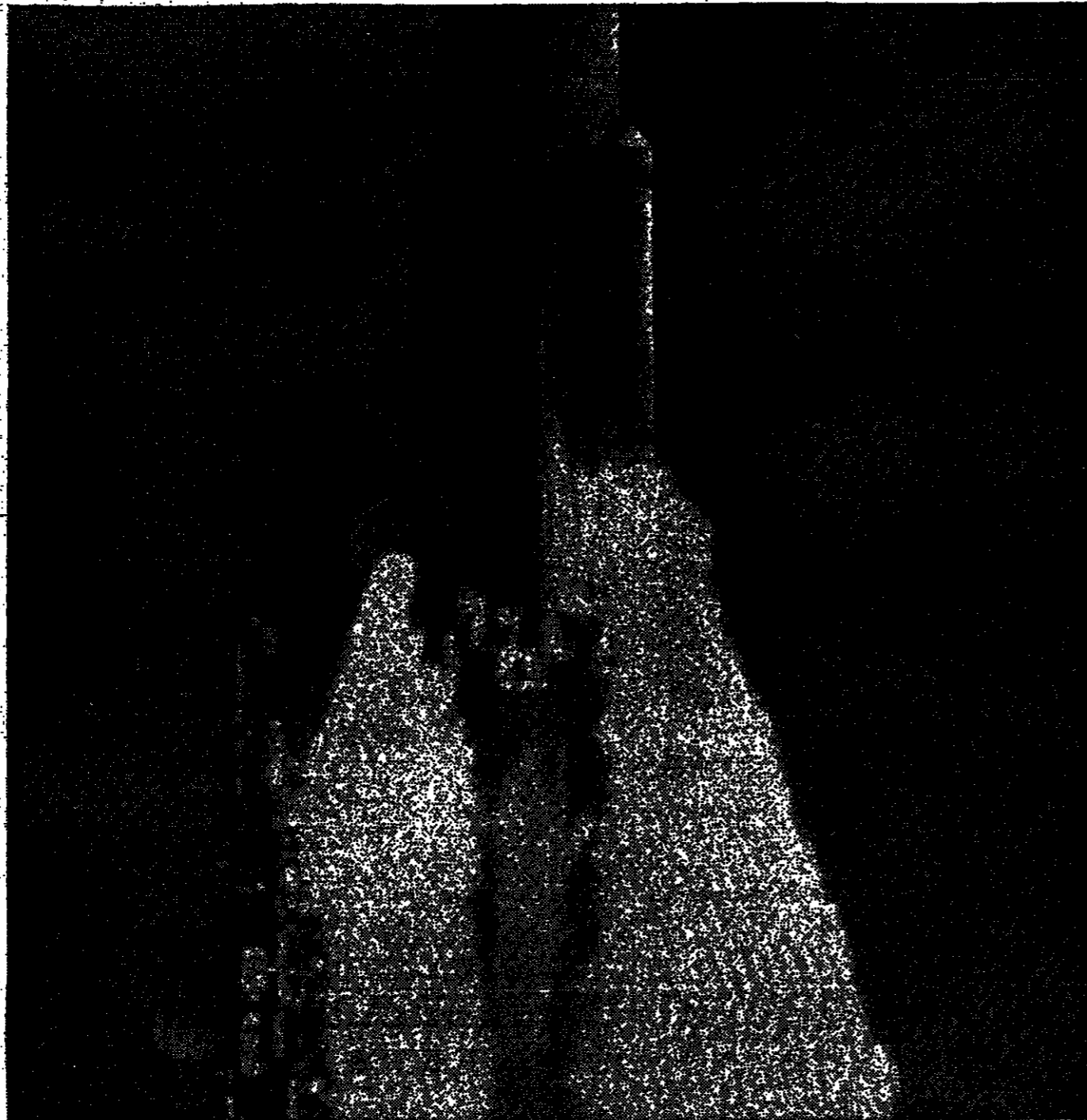
Listed are the latest international bonds for which there is an adequate secondary market.

Country	Issue	Amount	Price	Yield
USA	5-year Treasury	\$1.5bn	10 1/4	60bps
Norway	5-year Eurodollar	\$500m	10 1/4	60bps
France	5-year Eurodollar	\$300m	10 1/4	60bps
Italy	5-year Eurodollar	\$200m	10 1/4	60bps
Spain	5-year Eurodollar	\$100m	10 1/4	60bps
Japan	5-year Eurodollar	\$100m	10 1/4	60bps

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UK COMPANY NEWS

GROWTH IN CATERING AND TOURISM LIFT PROFITS

THF beats forecasts with £180m

BY ANDREW HILL

Trusthouse Forte, the hotels and catering group, yesterday announced pre-tax profits up by 35 per cent to £180m for the year to end of October 1987. The profits, ahead of most analysts' expectations, mark the return to strength of the UK tourist trade after the disappointments of 1986 and the continuing growth of THF's catering operation. UK hotels increased their trading profits from £87m to £110m on turnover of £1.78bn, up 20 per cent on 1986. The group's share of the Savoy Hotel's profits contributed £8m (£5m).

held back by the country's strict visa requirements for US visitors. Trading profits in Europe and the Middle East increased by 10 per cent, compared with the UK hotels' 27 per cent increase. The main advance, however, was in the catering sector, where trading profits increased by 57 per cent to £63.4m, nearly a third of the group's overall trading profit.



THF split its figures for this sector to show an 86 per cent increase in trading profits for the public catering business, which includes the group's roadside restaurants such as Little Chef, Happy Eater and motorway service stations. The 71 Happy Eater restaurants were among the company's acquisitions from Hanson

Trust in July 1986. The profits from these businesses doubled to £24.5m in their first full year of THF management. Mr Forte said the group's policy on acquisitions was unchanged. "We are looking at what is available but we will only pay sensible prices for those acquisitions which show an immediate return on our investment," he said.

"The main consideration is people. We continue to invest heavily in the development and training of our people," he added. Mr Forte admitted that he had underestimated the difficulty of managing the company's US assets at a distance. THF was now taking a very hard line with US franchisees who did not conform to the group's standards. The company's net earnings per share were up from 12.4p to 16.3p, and the board is recommending a dividend of 7.1p (6p). Taxation has increased from £37m to £50m. The group



Rocco Forte: heavy investment in training has reduced its gearing from 47 per cent to 28 per cent. The value of THF's fixed assets now stands at over £2.1bn following a £484m upward revaluation of the group's London and European hotels

H&C pays more than £30m for Lankro

By Clay Harris

Harrisons & Crossfield, diversified plantations group, is to pay more than £30m cash and shares for Lankro Chemicals, a Manchester-based manufacturer of specialty chemicals. H&C acquired 75 per cent of Lankro through the purchase of a private company which bought the stake for an undisclosed price from Diamond Shamrock, the US energy group, in May 1986. It will offer the same terms for the remaining 25 per cent which have been owned by employees for nearly five years.

The acquisition brings H&C's rapidly expanding chemical division closer to comprising half of group sales and profits. Its products include chrome and zinc chemicals, iron oxide and aluminium chloride. Mr George Paul, H&C chief executive, said yesterday that the purchase had "strong industrial logic arising from our complementary positions in polymer additives and specialties and also from the scope for sharing the technology of both companies worldwide."

Lankro's other products include polyurethanes and urethane based chemicals used in high performance inks. It estimates pre-tax profits of at least £5.5m on sales of £70m in the year to November 30 last and assets of £19.5m. H&C is offering shares, valued at 85p, for the unsecured loan notes. Of the 75 per cent holding which H&C has already bought, about half of the consideration was taken in shares, involving the issue of about 2m new shares.

Murdoch stake in Pearson at 20.57% after purchase

BY RAYMOND SNOODY

THE STAKE held by Mr Rupert Murdoch's News Corporation in Pearson, the diversified group which publishes the Financial Times, stands at 20.57 per cent following the purchase last week of a 4.9 per cent block of shares from Italian businessman Carlo de Benedetti. Pearson said yesterday it had been notified of the purchase of 560,000 shares by News Corporation on Thursday and a further purchase of 450,000 shares on Friday.

Mr Murdoch said yesterday that if the Pearson shares were diluted through the purchase of Les Echos, the French daily business newspaper, "we will have to look at it to see whether we need to buy some more." The News International Finance director added: "It is our intention to equity account."

Mr Stehnenberger said yesterday that the Pearson shares were diluted through the purchase of Les Echos, the French daily business newspaper, "we will have to look at it to see whether we need to buy some more." The News International Finance director added: "It is our intention to equity account."

Honorbilt remains 'on target'

Honorbilt Group, the men's clothing importer and distributor, has increased turnover from £10.2m to £11.85m for the six months to October 31, 1987, and the directors remain confident that their forecast of pre-tax profits of £450,000 for the full year will be met. They reported trading profit at £59,869 compared with a loss of £125,211 for the same period of 1986.

The company has exchanged contracts to take over Collage of London in a cash and shares deal for an initial payment of £165,682 and further payments up to a maximum of £2m.

Borthwicks offshoot sought

Shares in Borthwicks, food manufacturer and trader, rose 5p to 59p yesterday after it was revealed that a fight had developed for control of its Australian subsidiary. Borthwicks announced plans for the sale of Thomas Borthwick & Sons (Australia) and an associated Japanese operation to Teys Bros for £10.2m earlier this month. But yesterday Australian Meat Holdings, 25 per cent owned by Elders IXL, unveiled a counter offer worth about £1.6m more. AMH has asked Borthwicks to adjourn an extraordinary meeting called for next Tuesday to approve the Teys deal.

Berisford's new coffee outlet

BY CLAY HARRIS

S&W Berisford, the sugar producer and commodities group, is to establish a separate coffee trading subsidiary partially owned by senior managers. In its 1987 report and accounts published yesterday, Berisford said that managers would pay £12.25m (£6.9m) for their 35 per cent stake, although all but £1.84m of this figure would be funded out of their share of the venture's future profits.

The group also said it had taken a £3.3m provision in relation to legal costs and liabilities in its US metal trading subsidiary. Berisford said, meanwhile, it considered there were no grounds to expect any liability arising from the £1.5m advance commission which its Erlanger subsidiary had repaid to Guinness after the Department of Trade and Industry investigation into the latter company began. Yesterday, Berisford announced three disparate investments. It is to inject £1m into Ch. Papadimitriou (Haven), a Greek dried fruit processor. Berisford will receive an initial 30 per cent equity stake, rising to 50 per cent when debenture stock is fully converted. The investment will enable Haven to package its dried fruit products at source.

Transformation planned for Goodman offshoot

BY CLAY HARRIS

Goodman International, the privately-owned Irish meat processor and exporter, intends to transform Merchants' Warehousing, its quoted dry storage subsidiary, into an agribusiness group with annual sales of £100m (£88m). Merchants shares were suspended yesterday at the company's request. The plans were unveiled on the eve of today's vote by members of Bailieboro Co-operative, a dairy co-op based in County Cavan, on whether to accept Goodman's takeover bid or a rival offer from Killeshandra Co-operative.

intended to illustrate to Bailieboro members the diversified company in which they were being offered shares. Goodman, the largest meat processor in Ireland, plans to put all non-meat interests into Merchants, which will be renamed to reflect its food activities. In the year to last June 27, Merchants reported pre-tax profits of £261,000 on sales of £8.2m. The takeover battle for Bailieboro has been bitterly contested, in political as well as financial terms. The vote today by Bailieboro members meeting at Carrickmacross, County Monaghan, will affect the dairy industry in several counties in the north-east of the Republic. In December, Goodman mounted a Press campaign which prompted Bailieboro members to reject Killeshandra's original £11m offer. The rival bids are now both worth £10m. Bailieboro has annual turnover of about £60m but debts of £15m, according to Goodman, which has lined up a refinancing package.

GrandMet has 'cordial' meeting with Martell

BY LISA WOOD

Grand Metropolitan described as "cordial" a meeting it held yesterday in Cognac, France, with senior members of the Martell family to discuss its latest offer for the cognac house. Mr Allen Sheppard, chairman and chief executive of GrandMet saw Mr Renee Firino Martell, chairman of Martell and Mr Patrick Martell, a member of the board, to discuss GrandMet's final offer of FFr 2,300 per share, valuing the cognac house at FFr 4.67bn (£454m). The bid tops by more than 10 per cent the bid for Martell by Seagram, the Canadian drinks group. Family-controlled Martell had stated after the Seagram bid that the Canadian group was its preferred owner. GrandMet said yesterday that Mr Sheppard had confirmed the continuing involvement of the Martell family should it be acquired by GrandMet and also given assurances about working and trading practices. Mr Sheppard also said that the offer - which represents a

Buckley's in £2.8m purchase

By Nikki Tait

Buckley's Brewery, the South Wales brewer, yesterday announced its first acquisition since Mr Guy Cramer and Mr Peter Clowes took their controlling stake just ahead of Black Monday. The company is paying £2.79m for Taylor Milner, a private company in Leeds, Harrogate and London, which fits out and refurbishes retail and leisure outlets. The purchase price comprises £1.92m in cash, and 767,822 Buckley's shares - which will be held by the vendors for at least two years. The acquisition - born from a management buyout when a former company Taylor Milner Shopfitters went into receivership in the early-1980s - saw pre-tax profits of £170,000 in the year to end-March 1987, on sales of £2.7m. In the current year, profits are warranted at not less than £300,000 and sales are expected to reach £4m. Shares in Buckley's eased 2p to 208p yesterday.

Henderson in bid talks

BY HEATHER FARMBROUGH

Henderson Group, industrial dealers and security products company in which Evered Holdings has a stake of 23.6 per cent, said yesterday that it had held talks about a possible sale of the company with Newman Tonks, buying suppliers. Mr Angus Clark, joint managing director of Henderson, said that the company had continued to talk to Newman Tonks since Evered increased its holding from 14.3 per cent at the end of December. Although Henderson has in the past wished to remain independent, it is believed to have become more favourably disposed to Newman Tonks since Evered, which is headed by the acquisitive Abdullah Brothers, increased its stake. "Mr Timothy Frankland, chairman of Newman Tonks, said yesterday: "Henderson is a company we have always followed and still do; sadly previous talks have been inconclusive." Henderson and Newman Tonks closed in 1985 over a takeover bid for Midlands building products company R Cartwright, which was eventually won by Newman Tonks. The two companies have overlapping interests.

Freemans hits at Sears

BY NIKKI TAIT

Freemans, the mail order group on the receiving end of a £477m cash offer from retail giant Sears, yesterday accused the bidder of "exploiting what it sees as an unusual short-term opportunity to acquire Freemans for less than its worth." In a further strongly-worded letter to shareholders, Freemans' chairman, Mr John Brooman, asks investors to "reflect on how much it would cost Sears - or any other retailer for that matter - to establish from scratch a mail order business of Freemans' quality."

Sun Life bond leads sales success

BY NICK BUNKER

Sun Life Assurance showed a 152 per cent jump in its new life of pensioners business to £689.9m last year, mainly because of the success of a single premium unit-linked investment bond which it launched in February. The product, Sun Life's Limited Anniversary Bond, drew in a total of £224m, of which about 80 per cent represented sales arranged by independent

intermediaries, said Mr Richard Zamboni, managing director. He said, however, that the launch of the bond was "a one-off opportunity" and total bond sales in 1988 were unlikely to attain the same level. In total, Sun Life's new single premium bond rose by 157 per cent to £827.2m. Apart from the Anniversary Bond this also included a 90 per cent jump in its new single premium pensions business, which grew

from £123.5m to £234.9m. The group's new annual premiums grew 17 per cent to £62.7m. New business for Sun Life Trust Management, the group's unit trust subsidiary, also increased substantially, with gross sales up 50 per cent to £207.5m. Sun Life did not give a figure for the extent of unit trust redemptions since last October's stock market crash.

Bremner verdict today

BY PHILIP COGGAN

MR JAMES Rowland-Jones will have to wait until three o'clock today to find out whether shareholders have voted to elect him as chairman of the company of Bremner, the Glasgow-based company. After being defeated in a motion to adjourn yesterday's extraordinary meeting by 6.2m votes to 2.2m votes, Mr Rowland-Jones eventually called for a poll on the vote to remove him and two colleagues and replace him with Mr Dennis McGuinness, chairman of Carswell, the Glasgow stockbroker. But after a five-and-a-quarter hour wait, there was no time to count the proxy votes yesterday, although the vote on the adjournment indicates that Mr Rowland-Jones is likely to be defeated. However, Mr Rowland-Jones lived up to his record of producing surprise tactics. He announced that he had co-opted three new directors Mr Eric Fearon, Mr John White and Mr Chris Adams at a board meeting on Sunday.

MS pension fund lifts stake to 6%

By Clay Harris

The pension fund at MS International raised its stake in the mining equipment and defence electronics group to 6 per cent a week before the fund itself the target of a hostile £25.1m takeover bid from Dobson Park Industries. Although the fund's investments are directed independently, by stockbrokers McCaughan Dyeon Capel-Cure, and its latest purchase was relatively small, the 6.08 per cent stake in friendly hands will make Dobson Park's task more difficult. The MS fund is unlikely, however, to buy more shares simply to keep ahead of Dobson Park, which launched a cash-and-shares bid on January 12.

David Smith advances 53% to £14.5m

BY MAGGIE URRY

A COMBINATION of organic growth and acquisitions lifted pre-tax profits at David S Smith (Holdings) paper and packaging group, by 53 per cent from £9.5m to £14.5m in the six months to end-October. Sales were 38 per cent ahead at £180.1m. Mr Richard Brewster, chief executive, said that the newly-acquired businesses - Corrugated Products, Severnside Waste Paper, Hollins paper mill, and the previously 40 per cent-owned A A Griggs - contributed £2.5m to operating profits of £15.3m. Operating profits from the businesses already owned rose by 20 per cent. Volumes throughout the business had been strong, said Mr Brewster, with corrugated board volume, for example, up 6% or 7 per cent. Price increases had been less important, adding 3 per cent or less to sales.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding div	Total for year	Total last year
ASDA-MFI	1.8	Apr 5	1.37	1.37	3.5
Brooke Tool	1.1	Apr 5	0.83	1.68	1.45
Burnside Inv	4	Feb 24	3.5	5.5	4.75
Cook (DC)	0.96	Apr 5	0.9	2.7	2.7
Dalepak Foods	0.9	Apr 5	2.3	4.44	3.36
Evode	3.24	Apr 5	2.5	2.5	2.5
Goode Durrant	2.75	Apr 5	3.75	7.06	5.25
Hunterprint	5	Apr 5	15	25	20
Jersey Electric	18	Apr 5	1.75	6.25	6.25
Knob & Knockers	0.57	Mar 13	4.67	7.1	6
Smith (David S.)	2.1	Mar 13	1.75	6.25	6.25
Trusthouse Forte	5.57	Mar 13	4.67	7.1	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. †Unquoted stock. ‡Third market. †18 month period: final of not less than 1p forecast. Gross dividend.

This announcement appears as a matter of record only. January 1988

HALIFAX BUILDING SOCIETY

U.S. \$500,000,000
Certificate of Deposit Programme

Arranger:
Credit Suisse First Boston Limited

Dealers:
Credit Suisse First Boston Limited
First Chicago Limited S.G. Warburg & Co. Ltd.

Issuing and Paying Agent:
The First National Bank of Chicago

HALIFAX

This Programme received the ratings of A-1+/P-1 from Standard & Poor's and Moody's.

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Mr Brewster said that a constraint on the business had been a shortage of capacity. A new sheet feeder machine is to be brought on stream in April which will increase capacity by 45 per cent. The St Regis paper mills, acquired in June 1986, had also been operating at full capacity and margins were rising.

The six packaging companies have been grouped together under Mr John Bennie who joined the board in December. Looking to the future, Mr Brewster said "the second half has started well and demand from industry for our products remains strong." He revealed that negotiations to acquire businesses in the publishing and exhibitions area, to provide a third activity for the group, are progressing.

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Richard Brewster
"Shortage of capacity"

13.8p and the interim dividend is raised by 20 per cent to 2.1p.

● Comment
David S Smith's determina-

tion to be a dominant player in specialist fields, using the latest technology, has done it no harm in the buoyant trading conditions of recent years. It should stand it in good stead if conditions become less buoyant as well. With more assets to accrue from St Regis, full contributions from the newer businesses and continued growth from the old, there is plenty going for the company. Debt of £15m in the balance sheet is easily managed while the strong cash flow should cover its expansion into the new areas, while the stockmarket crash should ensure that prices have fallen during the search. Profits for the year should reach £30m, up from £24.2m last year, giving a justifiable p/e of 12.8 on the shares at 359p, up 11p yesterday.

UK COMPANY NEWS

PROFITS FROM CONTINUING OPERATIONS RISE 30%

Confident ASDA moves ahead to £95m

BY MAGGIE URRY

ASDA-MFI Group, the superstore chain, yesterday reported a rise in first-half pre-tax profits from £86.1m to £94.8m. Sales in the 28 weeks to mid-November were 11.1 per cent ahead at £1.6bn.

The dairy division was included until August 22. On November 16 MFI ceased to be wholly-owned by ASDA but a 25 per cent stake has been retained.

Mr John Hardman, chairman, said he was "confident that the outcome for the year will show a very satisfactory increase."

Last autumn, the group sold its MFI furniture business and its dairy division. Operating profits from the continuing businesses ASDA itself and Allied Carpets rose by 29.4 per cent to £70.8m.

Within Allied Carpets sales were 38.7 per cent up at £79.6m and operating profits 20 per cent higher at £4.8m.

John Hardman - results show success of current strategy

Expansion programme sees Evode rise 15% to over £6m

By Heather Farmbrough

ACQUISITIONS and disposals helped boost margins at Evode Group, adhesives, paints and plastics group, for the year to September 30 and resulted in record pre-tax profits of £6.21m, 15 per cent higher than in the previous year.

Hunterprint grows 37% to £5.89m on strong sales

BY PHILIP COGGAN

Hunterprint yesterday announced a 37 per cent expansion in taxable profits to £5.89m for the year to September 27 - its 22nd consecutive year of increased growth.

Pre-tax profits were struck after an exceptional closure of £262,000 relating to debt costs. The profit figure was up from last year's £4.3m, while sales increased 29 per cent to £90.8m (£70.3m) and after a reduced tax charge, fully diluted earnings per share were 42 per cent higher at 28.09p (19.76p).

DC Cook up 30% at £2.44m

BY DAVID WALLER

D C Cook Holdings, USM-quoted motor distributor, raised pre-tax profits 30 per cent from £1.85m to £2.44m in the six months to October 31 1987.

Cash resources boost Goode Durrant

BY DAVID WALLER

INTEREST INCOME from Goode Durrant's substantial cash resources helped the financial services, trading and property group muster a £3.5m rise in profits for the year to November to £6.39m pre-tax.

Goode now stands at 18 per cent. With cash of £25.17m in the balance sheet, Goode is unencumbered.

Profits from housebuilding and construction rose from £674,000 to £1,04m. International trading profits declined from £1.1m to £926,000, principally as a result of a downturn in world tea output last year.

The market is awash with unwanted Goode stock, following the placing and the earlier 20 per cent rise in the share price.

Knobs & Knockers at £203,000

BY MINGTAI

Dalepak Foods yesterday reported a 42 per cent drop in profits to £327,000 before tax in the six months to end-October.

Dalepak falls 42% as growth trend slows

BY MINGTAI

Dalepak Foods yesterday reported a 42 per cent drop in profits to £327,000 before tax in the six months to end-October.

Mr Chris Ivory, previously managing director of Northern Foods subsidiary, Pork Farms, has been appointed chief executive of Dalepak's two former joint managing directors.

from November's price rises, allowing margins to more or less recover. But the outlook for mid to late-1988 is uncertain, and it is far from obvious how Dalepak can diversify.

Problems of being a one-product company are painfully obvious at Dalepak. The rise in manufacturing beef prices can only depress growth in the gristle market and in the first half, Dalepak reckons that the branded market grew by just 2.8 per cent against 18 per cent a year ago.

Harmony Leisure grows

BY MINGTAI

Harmony Leisure Group, the pub and restaurant operator which came to the USM in December 1986, boosted pre-tax profits from £42,000 to £108,000 on turnover up from £2.11m to £2.91m for the 26 weeks to September 30 1987.

Real Time down 22%

BY MINGTAI

THE DECISION to add IBM's electronic point of sale systems to its own range of similar equipment continued to affect revenue and trading profits at the Bradford-based Real Time Control.

Brooke Tool well up

BY MINGTAI

On the back of a 55m rise in turnover to £17.7m Brooke Tool Engineering (Holdings), which has been busy on the takeover front over the past 12 months, reported a 22 per cent advance from £1.21m to £1.7m pre-tax for the year to September 30 1987.

BUK Paper

BY MINGTAI

BUK Paper (Holdings), the holding company that operates Bowater United Kingdom Paper Company, is changing its name to UK Paper.

Monument Oil

BY MINGTAI

Lombard, Odier & Cie, a private Swiss bank, yesterday said it had acquired a 12.96m share, 29.54 per cent stake in Monument Oil & Gas, a small independent oil and gas producer.

NOTICE OF REDEMPTION INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT Washington, D. C. ("IBRD")

CONTRACTS Pumping equipment orders WEIR PUMPS has been awarded four orders, worth over £3.5m, to supply pumping equipment to three water authorities in England.

Transshipment road to rail Cheshire-based POCHIN has won design and construct contracts worth more than £12m. Among these is a 53.3m road/rail transshipment depot with a floor area of over 120,000 sq. ft.

Nationwide Anglia £300,000,000 Floating Rate Notes Due 1996 (Second Series) Interest Rate: 8.6425% per annum

IRELAND U.S.\$50,000,000 Floating Rate Notes due July 1992

COMMODITIES AND AGRICULTURE

ITC creditors challenge High Court rulings

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE TIN litigation returned to court yesterday when creditors of the insolvent International Tin Council challenged High Court rulings that the council's members could not be held liable for its \$800m debts.

BEFORE yesterday's hearing began one of the three appeal judges, Lord Justice Ralph Gibson, disclosed that during a chance meeting Sir Adam Edley, a director of Hambros Bank, one of the appealing creditors, had spoken of his concern about tin affairs generally.

phone I was returning it unread," said Lord Justice Gibson. "I'm confident that Sir Adam sent the papers to me in perfectly good faith because he thought I would be interested in the background and not because he wished to, or thought he could, influence me in any approach to the case."

Two High Court judges have held that the Council has a distinct legal personality, separate from its members - the UK, 22 other sovereign states and the European Community - and therefore is alone responsible for its debts.

Lord Justice Kerr, the presiding judge, concluded: "I think we can all feel confident that, while it should never have happened, no harm was done."

Lord Justice Millett, when he struck out a claim by Maclaine Watson, another LME trader and \$5m judgment creditor of the ITC, Maclaine had limited its attack to the UK, as one of the ITC's members.

The creditors argue that, under English law, the members are jointly and severally liable for the debts. J.H. Rayner (Mining) Ltd, a ring-dealing member of the London Metal Exchange and a \$16m creditor of the ITC, is appealing against a ruling on June 25 by Mr Justice Staughton in the Commercial Court that because of the ITC's legal status, Rayner could not sue the members for its debt.

Maclaine's and Rayner's appeals against those rulings, both of which concern attempts to make the member states directly liable, are being heard together.

Mr Mark Littman, QC, for Maclaine, said that Mr Justice Millett had been wrong to conclude that the ITC had a distinct legal personality and that it incurred liabilities on its own behalf, to the exclusion of its members.

Noranda seeks provincial hearing

NORANDA, THE Toronto based mining conglomerate, is to appeal against an Ontario Supreme Court ruling that its suit claiming C\$38m (£16.5m) in damages from the Canadian Government in connection with the 1985 collapse of the International Tin Council should be heard in a Federal court, writes David Owen in Toronto.

It will have done much to establish its argument that the Government is liable for the company's losses accruing from the tin market crash just over two years ago because of its 2.3 per cent voting interest in the ITC.

Observers feel that if Noranda succeeds in having the case heard at a provincial level, it will have done much to establish its argument that the Government is liable for the company's losses accruing from the tin market crash just over two years ago because of its 2.3 per cent voting interest in the ITC.

Producers to lift export quotas

BY WONG SUI-LONG IN KUALA LUMPUR

THE SEVEN-nation Association of Tin Producing Countries is to raise annual exports from 96,000 tonnes to 101,900 tonnes in its next export quota programme, starting in March, to meet the increased capacity of its member states.

Noranda's metals trading subsidiary, Rudolf Wolff, and filed in October, contends that the Government is liable for the company's losses accruing from the tin market crash just over two years ago because of its 2.3 per cent voting interest in the ITC.

He said prices, which are currently above 17 ringgit a year, compared with 15 ringgit a year ago, should improve further, even with the increased output from producing countries.

Israelis strive to save orange crop

By Andrew Whitely in Tel Aviv

THE ISRAELI Government has resorted to emergency measures to save the country's main citrus crop, the Shamouti or navel orange, whose picking season should be now be at its height.

Picking has been severely disrupted by the absence of tens of thousands of Arab workers, following the unrest of the past six weeks.

Schoolchildren have been mobilised by the Education Ministry to work in the orange groves, restrictions on workers from Southern Lebanon are being temporarily lifted, and top union leaders have volunteered to work over the next few days.

The Education Minister announced on Sunday that second-year schoolchildren would be asked to work in the fields, following an appeal to him for help by representatives of the citrus industry.

Among them was an Israeli Arab, Mr Mahmud Younis - a leader of the one day strike Israel Arab workers held in solidarity with their Palestinian brethren in the West Bank and Gaza Strip.

Explaining his decision to volunteer, Mr Younis said: "I see myself as part of the state and care what happens to the economy."

Tepid reception for cocoa deal

BY DAVID BLACKWELL

THE LONDON cocoa market yesterday gave a lukewarm reception to the news that the International Cocoa Organisation (ICCO) had agreed to the weekend on rules to reinstate the operation of its price support mechanism.

Following Saturday morning's agreement some dealers were forecasting that prices on the London futures market would rise by up to \$50 a tonne when trading resumed today.

But one consumer delegate said yesterday that the talks had failed to get to grips with the long-term problems of cocoa. The credibility of the agreement would be increased by getting the buffer stock working - but there had been no real acknowledgement of the nature and timescale of the long-term problems.

Dealers are also well aware that the agreement of rules for a winter holding scheme designed to keep a further 180,000 tonnes off the market.

The organisation is faced with the continuing problem of world cocoa supplies outstripping production. The resumption of buffer stock buying will undoubtedly bring some short-term stability to the market, delegates believe, and this will be further strengthened by the agreement of rules for a winter holding scheme designed to keep a further 180,000 tonnes off the market.

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such as Malaysia and Indonesia, who are not party to the agreement. Consumers were unanimously against this proposal, which proved to be the main stumbling block of the negotiations.

However, the fact remains that non-ICCO producers, such as Malaysia, have lower costs and higher yields than West Africa and Brazil. If they can continue to make a profit at current prices, it seems likely they will turn a deaf ear to his plea.

The cost of not co-operating

IT WAS George Bernard Shaw who stated that the whole sum of human progress was due to the activities of unreasonable people. And it is certainly true that their refusal to conform to the accepted rules of the day made most reformers very uncomfortable comparisons.

FARMER'S VIEWPOINT

By John Cherrington

It would be difficult to identify Cornish dairying as a separate project. The main difference, however, is that British farmers are not good co-operators, probably because they have never been so badly off as to be prepared to give up their independence.

At the same time there was a definite attempt to bring in marketing boards for meat, cereals and so on. Farmers lost out on this one under pressure from the food trade and on the grounds of monopoly. I think we certainly miss them now that the food trade has got into the hands of the huge supermarkets.

What has happened in mind was the report of a recent conference on the future of Cornwall, held under the patronage of the Prince of Wales, as Duke of Cornwall, and other local nobles.

The most interesting section contribution was, to my mind, that of Mr Alexis Gourvenec, who could be said to be the father of modern Breton farm business. I met him first about 20 years ago when following up the Cornish branch of agricultural co-operation at St Pol de Leon, near Roscoff.

It would be difficult to identify Cornish dairying as a separate project. The main difference, however, is that British farmers are not good co-operators, probably because they have never been so badly off as to be prepared to give up their independence.

But what we lack is an organisation which can control the whole of the market for say cereals or meat. We did have a chance when the NFU set up the Fatstock Marketing Corporation. But it did not have marketing board powers to control all sales of stock. It had to compete with the much easier grading standards of the live markets; and few farmers remained loyal. FMC did its best with the bacon business but in the end was forced to sell out to the Hilldown Holdings Group and British Bacon. It may mind a sorry story these days.

He had worked for this for a long time. First he had persuaded the Government to improve the roads as part of a deal to stop the Bretons rioting against the Government. The deal was far from being the case. The purpose of the was to force independent-minded farmers to join the co-operative. There was no way, Mr Gourvenec told me, that a small group of independents would be able to change his planned marketing strategy.

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It would be difficult to identify Cornish dairying as a separate project. The main difference, however, is that British farmers are not good co-operators, probably because they have never been so badly off as to be prepared to give up their independence.

It seems to me that the Gourvenecs of Europe settled on the wrong side of the channel, we could have done with them here.

WORLD COMMODITIES PRICES

LONDON MARKETS

Table with columns for Copper, Tin, Zinc, Lead, Nickel, Aluminium, and various grades of metal. Includes sub-sections for Spot Markets and Gas Oil.

COCOA \$/tonne

Table with columns for Cocoa prices: Mar, May, Jul, Sep, Nov, Dec. Includes sub-sections for Coffee and Soyabean Meal.

LONDON METAL EXCHANGE

Table with columns for Aluminium, Cash, Aluminium, Copper, Cash, Copper, Lead, Nickel, Tin, Silver. Includes sub-sections for Soyabean Meal and Potatoes.

LONDON BULLION MARKET

Table with columns for Gold, Silver, Platinum, Palladium, and various grades of metal.

US MARKETS

Table with columns for Gold and Silver prices, and various grades of metal.

New York

Table with columns for Gold, Silver, Platinum, Palladium, and various grades of metal.

Chicago

Table with columns for Soyabean Meal, Soyabean Oil, and various grades of metal.

WHEAT

Table with columns for Wheat prices: Mar, May, Jul, Sep, Nov, Dec.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Awaiting Japanese trade news

THE DOLLAR closed at or near its lowest levels of the day in Europe, on nervousness that Friday's good news on the US trade deficit may be countered by today's Japanese trade figures for December.

Morgan Grenfell also believes the December Japanese trade surplus will show a marked increase over November, but forecasts the December US deficit will shrink to \$11bn.

In quiet trading, with many US banks closed for Martin Luther King Day, the dollar drifted down to finish only slightly higher than Friday's close at DM1.6805 compared with DM1.6790, and at FRF6.8725 against FRF6.8825, while falling to Y130.05 from Y130.40, and to SF1.3705 from SF1.3720.

On Bank of England figures the dollar index was unchanged at 95.1.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.8710. December average 1.8289. Exchange rate index was up 0.47, compared with 78.8 six months ago.

Sterling showed a muted reaction to the fall of 1.1 p.c. in December. UK retail sales figures were a surprise, with forecasters generally expecting a rise of about 0.2 p.c., but seasonal adjustment took out the effect of Christmas demand.

Further guidance on UK growth, and whether the economy is threatening to overheat, is now looked for from Thursday's bank lending and money supply figures.

In line with other European currencies starting finished around its highest level of the day against the dollar. After trading around 1 cent lower than Friday's close for much of the morning, the pound finished cent down at \$1.7740-1.7750. Sterling was unchanged at DM2.0825, but eased to SF2.4925 from SF2.4975 and to Y230.75 from Y231.75, but rose to FRF10.0650 from FRF10.0500 in New York on Friday.

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FINANCIAL FUTURES

Gilts and bonds improve

GILT PRICES were firmer in life trading yesterday as longer dated cash values were boosted by consistent demand. Sentiment was influenced primarily by a strong improvement in US bond prices.

Pushed the price up from an opening level of 90-06, compared with Friday's close of 89-14, to a high of 90-18, where it closed.

This was all bullish stuff for the gilt market which was boosted further by the release of UK economic data. A 1.1 p.c. fall in UK retail sales in December was worse than expected and contrasted sharply with a 1.05 p.c. increase in November.

While a little disappointing, the figures removed some of the upward pressure for an immediate rise in base rates. The fall was seasonally adjusted and took account of the distortions caused by Christmas.

Taken in conjunction with the latest CBI/FT distributive trades survey, some analysts suggested that the pace of retail sales may be moderating.

This was seen as the first hurdle, successfully overcome, in a week which sees the release of UK PSBR and bank lending figures. The former seems unlikely to be much of a problem but analysts have voiced their concern about Thursday's bank lending. The narrowly defined M0 may soon break out of its official target range. Recent round tripping in the money market has made some contribution towards this.

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EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Currency, Unit, % change, % change adjusted for divergence, and Discount rate %.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns for Currency, Day's spot, One month, Two months, Three months, Six months, One year.

STERLING INDEX

Table with columns for Index, Jan 18, Feb 15, Mar 12, Apr 9, May 6, Jun 3, Jul 1, Aug 1, Sep 1, Oct 1, Nov 1, Dec 1.

CURRENCY RATES

Table with columns for Currency, Jan 18, Spot, Forward, % change.

CURRENCY MOVEMENTS

Table with columns for Currency, Jan 18, Spot, Forward, % change.

OTHER CURRENCIES

Table with columns for Currency, Jan 18, Spot, Forward, % change.

EXCHANGE CROSS RATES

Table with columns for Currency, Jan 18, Spot, Forward, % change.

FT LONDON INTERBANK FIXING

Table with columns for Currency, Jan 18, Spot, Forward, % change.

NEW YORK

Table with columns for Currency, Jan 18, Spot, Forward, % change.

LONDON MONEY RATES

Table with columns for Currency, Jan 18, Spot, Forward, % change.

UK clearing bank base lending rate 8 1/2 per cent from December 4

p.c. later in the day however, with late bids taken at 8 1/2 p.c. The Bank of England forecast a shortage of around £100m with factors affecting the market including the repayment of any late assistance in official hands together with a taking up of Treasury bills during 1988 and the unwinding of previous sale and repurchase agreements a further £16m. Exchange transactions accounted for an additional £30m while banks

brought forward balances £40m below target. These were partly offset by a fall in the note circulation of £380m. The forecast was revised to a shortage of around £300m as the Bank gave assistance in the morning of £160m through outright purchases of £80m in eligible bank bills in band 3 and £180m in band 4, all at 8 1/2 p.c. Further help in the afternoon came to £2m through outright purchases of eligible bank bills in band 3 at 8 1/2 p.c. Late help came to £10m, making a total of £279m.

In Frankfurt, call money was quoted at 3.2-3.25 p.c., little changed from Friday. Bank reserves remained comfortably above a minimum. Reserve requirements as domestic liquidity continued to be boosted by the tail end of central bank support for the dollar. Dealers were not expecting any change in the terms of today's sale and repurchase tender and were looking for an unchanged rate of 3.25 p.c. to replace a maturing facility of DM6.2bn.

In Paris, the Bank of France announced a fresh sale and repurchase tender, designed to offset a maturing facility of FRF6.5bn. The rate of 7 1/2 p.c. was left unchanged as the Bank injected FRF9.7bn, unwinding on February 2.

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In Good Company advertisement featuring images of key rings, cuff links, enamel badges, paperweights, and medals. Includes contact information for Manhattan-Windsor.

Mikuni's Credit Ratings advertisement providing financial information services on Japanese corporate issuers. Includes contact details for Mikuni & Co. Ltd.

I.G. Index's advertisement highlighting commodity prices and the appearance of the index today on page 14.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on Monday, January 18, 1987. In some cases the rate is minimal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are linked.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (B) bank rate; (R) buying rate; (S) selling rate; (C) commercial rate; (D) convertible rate; (E) non-commercial rate; (L) local market; (O) official rate; (S) selling rate; (C) controlled rate.

Large table listing countries and their currencies with corresponding exchange rates for the pound sterling.

Notes explaining the abbreviations and providing additional context for the exchange rate data.

Trade Indemnity Export Credit Insurance advertisement featuring a logo and contact information for the insurance provider.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, and Stock prices for various European options.

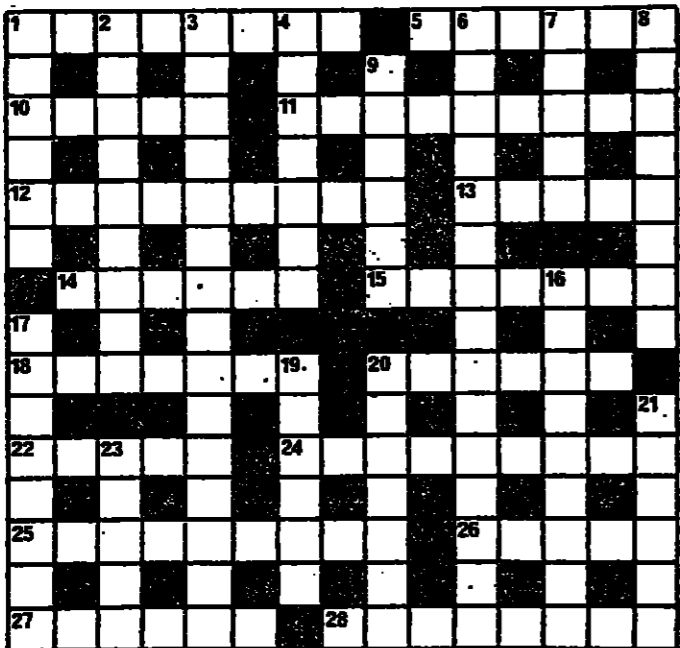
BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions.

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FT CROSSWORD No.6,533 SET BY QUARK



- ACROSS: 1 Sect takes in a sort of dancing. Could get stones off (8) 2 US fuel could be handy (9) 3 Outlook for fish (5) 4 Dents in fuel lid rendered ineffective (9) 5 To make a mistake if in knots, apple (9) 6 Credit notes after the country returns (6) 7 Able to take in stew or soup (6) 8 Get a deserter coming back with blow of trumpet (7) 9 Realise win (7) 10 First class with a hint to opt out? (6) 11 Deal with free entertainment (5) 12 Botanist's display preceding top ten? (3-6) 13 Classical example of forecaster unheeded (9) 14 Peg changes hotel (5) 15 True writing (5) 16 Tear ruins one, giving rise to obsession (8) DOWN: 1 Modest, but pursued, we hear (8) 2 Aeroplane developed from catapillar? (5-4) 3 I leap entry-point somehow to become powerful person (11) 4 Man with crumpled list could be in the soup (7)

Solution to Puzzle No.6,533 LONGSTOP SCORERS: BLUEBELL COUGAR R R L K T B C H A W A W A K E QUICKSTEP N I L N I T U L G P I N N I T L E N I N D P E N L I N D E X A C T O R I N F U S E N E O N O G C O M E R O U N D G U L C H H A V I T E E O A N N U A L O P E N I N G S N G L T O C T T A O I S M C H E A T E R S

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts, their managers, and performance data.

FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts under the heading 'Prudential Assurance Co Ltd'. Includes columns for fund names, dates, and other identifiers.

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MANAGEMENT SERVICES

Table listing management services under the heading 'MANAGEMENT SERVICES'. Includes columns for company names and details.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas services under the heading 'OFFSHORE AND OVERSEAS'. Includes columns for company names and details.

Prudential Assurance Co Ltd

Table listing various unit trusts under the heading 'Prudential Assurance Co Ltd'. Includes columns for fund names, dates, and other identifiers.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, and Yield.

Table of LONDON SHARE SERVICE, including sections for BRITISH FUNDS, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SSEAS GOVT STERLING ISSUES, CORPORATION LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Table of Money Market Trust Funds and Money Market Bank Accounts, listing various financial products and their details.

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LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies such as American Express, American International, and American Overseas, with columns for share price and change.

CANADIANS

Table listing Canadian companies such as Alcan, Canadian National, and Canadian Pacific, with columns for share price and change.

BANKS, HP & LEASING

Table listing financial institutions and leasing companies such as Bank of Montreal, Citicorp, and Finance Trust, with columns for share price and change.

BEERS, WINES & SPIRITS

Table listing beverage companies such as Carlsberg, Heineken, and Interbrew, with columns for share price and change.

BUILDING, TIMBER, ROADS

Table listing construction and infrastructure companies such as Bechtel, Bovis Lend Lease, and Hochtief, with columns for share price and change.

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Table listing construction and infrastructure companies such as Bechtel, Bovis Lend Lease, and Hochtief, with columns for share price and change.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies such as ICI, Shell Chemicals, and Dow Chemicals, with columns for share price and change.

DRAPERY AND STORES

Table listing retail and drapery companies such as Debenhams, Debenhams Group, and Debenhams Retail, with columns for share price and change.

DRAPERY AND STORES - Contd

Table listing retail and drapery companies such as Debenhams, Debenhams Group, and Debenhams Retail, with columns for share price and change.

ELECTRICALS

Table listing electrical companies such as British Telecom, British Telecommunications, and British Telecom Group, with columns for share price and change.

ENGINEERING - Contd

Table listing engineering companies such as BAE Systems, British Aerospace, and British Aerospace Group, with columns for share price and change.

FOOD, GROCERIES, ETC

Table listing food and grocery companies such as Asda, Asda Group, and Asda Retail, with columns for share price and change.

HOTELS AND CATERERS

Table listing hotel and catering companies such as Premier Inn, Premier Inn Group, and Premier Inn Retail, with columns for share price and change.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial companies such as British Airways, British Airways Group, and British Airways Retail, with columns for share price and change.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies such as British Airways, British Airways Group, and British Airways Retail, with columns for share price and change.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial companies such as British Airways, British Airways Group, and British Airways Retail, with columns for share price and change.

INSURANCES

Table listing insurance companies such as Aviva, Aviva Group, and Aviva Retail, with columns for share price and change.

LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

LEISURE

Table listing leisure-related companies such as British Skyways, British Airways, and others.

MOTORS, AIRCRAFT TRADES

Table listing companies in the motor and aircraft trades, including Rover, Leyland, and others.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies like News International, Newsprint, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies such as Newsprint, News International, and others.

PROPERTY

Table listing property-related companies and their share prices.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies.

SHIPPING

Table listing shipping companies and their share prices.

SHOES AND LEATHER

Table listing shoes and leather companies.

SOUTH AFRICANS

Table listing South African companies and their share prices.

TEXTILES - Contd

Table listing textile companies and their share prices.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices.

OVERSEAS TRADERS

Table listing overseas trading companies.

PLANTATIONS

Table listing plantation companies.

MINES

Table listing mining companies and their share prices.

MINES

Table listing mining companies.

MINES - Contd

Table listing mining companies.

THIRD MARKET

Table listing third market companies and their share prices.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

IRISH

Table listing Irish companies.

TRADITIONAL OPTIONS

Table listing traditional options and their prices.

TRADITIONAL OPTIONS

Table listing traditional options.

LONDON STOCK EXCHANGE

Government bonds rise sharply but disappointing session for equity sectors

Account Dealing Dates table with columns for First Dealings, Declaration Dates, Last Dealings, and Account Day.

The UK stock market, in its more considered response to the last week's US trade news, turned in a somewhat disappointing performance yesterday.

hard on the heels of Friday's news on the Retail Price Index, strengthened faith in an encouraging outlook for domestic inflation. The market hopes for a near-balanced UK Budget this year, anticipating a low Public Sector Borrowing requirement in 1988.

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Secs, Bond Interest, Ord. Div. Yield, etc., with columns for Jan 18, 15, 14, 13, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, and Year Ago.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

trigger any substantial demand for Commercial Union - where John Spavins Adsteam has a stake of around 6 per cent - and CU could manage only a 3 gain at 365p.

Associated-Benriques, a company providing credit finance services and headed by South African businessman Dennis M.Levine, made a quiet debut.

share prices rallied to close with modest gains on the day. Barclays Group, hit by the DTI inquiry in recent days, picked up strongly and closed 10 higher at 222p reflecting a bear squeeze and talk of a switch from the shares from Next; the latter eased 4 to 255p.

Good trading statements brought a ready response to David S.Smith, up 11 at 360p, and Hamerprint, which rose 10 to 370p, but investors remained wary of Buzzi and the close was 3 easier at 164p.

Equities started in good form, helped by a gain in the Tokyo market, and the FT-SE 100 Index pushed upwards through the significant 1800 mark at mid-morning.

With the prospect of an imminent Treasury 5 1/2 per cent 97 up 3/4 at 4 1/2 in partly-paid form. Gains in the long range to more than a full point, with the Treasury 13 1/2 per cent '04-08 up 1 1/2 at 131 1/2.

jumped 14 to 321p, after 325p. The Britoil/BP/Atlantic Richfield saga rolled on with Arco said to have added to its shareholding which was last revalued at 23.83 per cent.

Kuwait Investment Office. Trusthouse Forte traded briskly with total volume amounting to 5.8m shares, but the price moved lower as analysts digested the performances of the various divisions.

commercial expectations on the research and development work being undertaken by the group are excessive amongst many City commentators.

Government bonds had another successful session as the UK retail sales numbers, jumped 14 to 321p, after 325p.

With the prospect of an imminent Treasury 5 1/2 per cent 97 up 3/4 at 4 1/2 in partly-paid form.

ASDA-MFI was another group to produce a marginally disappointing trading statement. Profits for the half-year of 39.84m were near the lower end of estimates but, following the disposal of MFI, could rise in the second half.

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FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT - ACTUARIES INDICES showing EQUITY GROUPS & SUB-SECTIONS and FIXED INTEREST with columns for Index No., Day's Change, etc.

LONDON TRADED OPTIONS

Table of LONDON TRADED OPTIONS showing CALLS and PUTS for various stocks like Allied-Lycors, Biff. & Co., etc., with columns for Index No., Day's Change, etc.

TRADING VOLUME IN MAJOR STOCKS

Table of TRADING VOLUME IN MAJOR STOCKS showing volume for various stocks like ASDA-MFI, Biff. & Co., etc.

RISES AND FALLS YESTERDAY

Table of RISES AND FALLS YESTERDAY showing price changes for various stocks.

LONDON RECENT ISSUES

Table of LONDON RECENT ISSUES showing details of new stock issues.

FIXED INTEREST STOCKS

Table of FIXED INTEREST STOCKS showing details of fixed interest securities.

† Flat yield. Highs and lows record, base rates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, by post 25p.

Handwritten signature or note at the bottom of the page.

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, Germany, France, Japan, and the UK. Columns include stock names, prices, and changes.

Table of stock market data for Canada and Montreal. Columns include stock names, prices, and changes.

Table of stock market data for Japan and Australia. Columns include stock names, prices, and changes.

Table of stock market data for 'OVER-THE-COUNTER' Nasdaq national market. Columns include stock names, prices, and changes.

Table of stock market indices for New York, Canada, and other regions. Columns include index names, values, and changes.

Advertisement for Helsinki & Esposoo, featuring a list of stock price changes and contact information for Frankfort (069) 7598-101.

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 42' and 'S S S S'.

Table of AMEX Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 42' and 'S S S S'.

OVER-THE-COUNTER

Nasdaq national market, closing prices

Table of Over-the-Counter closing prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'S S S S' and 'Continued on Page 41'.

Advertisement for LISBOA & PORTO. Text: 'Have your FT hand delivered... at no extra charge, if you work in the business centres of LISBOA & PORTO. Lisboa 887844. And ask Roberto Alves for details.'

AMERICA

Dow loses momentum to drift lower in thin trade

Wall Street

A LACK of consensus about where equities should move next now that November's US trade figures are out of the way, coupled with the closure of US banks and the bond market for Martin Luther King Memorial Day, kept share trading quiet, writes Janet Bush in New York.

The Dow Jones Industrial Average fluctuated narrowly throughout the session and ended 7.79 points higher at 1,963.86.

Because trading conditions yesterday were so thin, it was difficult to discern the underlying mood of the market after Friday's news of a sharp narrowing in the US trade deficit between October and November.

There seemed to be some slight buying interest yesterday and brokerages talked of renewed confidence among investors after Friday's improved figures. Nevertheless, there is still a high degree of caution in the market after the 140 point fall two Fridays ago which seemed to come out of the blue just as securities houses were warning of a healthy and extended January rally.

Volume yesterday was low because of the absence of many market participants for the partial holiday. Only just over 1 billion shares changed hands and dealers noted this figure exaggerated the amount of activity actually going on. Substantial volume was generated by dividend-related trading on two stocks.

A number of stocks involved

in takeover scenarios were active yesterday.

Steady Drug jumped 3 1/2% to \$77 1/2 after news the US pharmaceutical company had rejected the bid by Swiss drug company Hoffman-La Roche as grossly inadequate. The company said it was negotiating with another party about a possible acquisition.

The battle to gain control of A H Robins, the company faced with enormous compensation claims over its Dalkon Shield contraceptive device, continued with Sanofi, the French drug company, and Rorer Group both sweetening their bids in response to the improved bid last week by American Home Products.

Both Sanofi and Rorer gave certain guarantees of a minimum share price for Robins stock and Sanofi added it would give Dalkon Shield claimants a chance for greater compensation than had been available in its previous takeover plans.

Robins rose 3 1/2% to \$24 1/2 while Rorer dropped 3% to \$44 and American Home slipped 1/2% to \$73 1/2.

Among other drug companies, Genentech lost 1 1/4% to \$42 1/2, Eli Lilly was off 3/4% at \$77 1/2 but Merck rose 3/2% to \$153.

A number of computer companies reported increased profits yesterday, giving evidence of the continued health of the industry.

NCR, which announced record profits after a 20 per cent rise in its latest quarter, fell 3/2% to \$58 1/2. Wang slipped 1/4% to \$14 1/2 after its announcement of a \$34.1m profit in its latest quarter compared with a loss of \$78.6m in the previous quarter. Tandem reported a profit of \$130.8m in the quarter

ended December 31 compared with \$103.8m in the previous quarter and closed unchanged at \$34 1/2.

Tandem reported lower profits in its latest quarter of \$23.7m compared with \$27.1m previously. Its share price rose \$1 to \$20. The market had been forewarned that the results would fall short of expectations on January 8, the day of the 140 collapse in the Dow Jones Industrial Average when Tandem's share price fell by 25 per cent to \$20.

Among other computer stocks, Apple lost 1/4% to \$42 1/2. Union Carbide slipped 1/4% to \$21 1/2. The company yesterday appealed an Indian court order that it should pay \$270m in interim relief to the victims of the Bhopal gas leak in 1984.

Among blue chips, International Business Machines stood 1 1/4% lower at \$117 1/2. General Electric edged 1/4% higher to \$46 1/2. Procter & Gamble added 1/4% to \$86 1/2 and Eastman Kodak lost 3/4% to \$51.

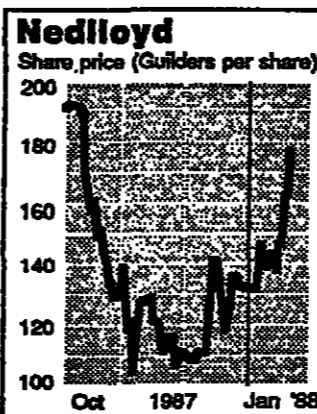
Canada

TORONTO SHARE prices drifted slightly higher in mixed trading as investors took stock of the November US trade deficit figures released last Friday. The composite index, which had dipped about eight points in earlier trading, rose 7.1 to 3170.3.

Declines outran advances by 412 to 368 on active volume of 30.3m shares. The Toronto Stock Exchange said about 12.5m shares of Getty Resources that traded in a series of transactions earlier in the session accounted for much of the volume.

Nedlloyd price soars as policy battle intensifies demand

BY LAURA RAUN IN AMSTERDAM



Nedlloyd Share price (Guilders per share)

SHARES in Nedlloyd, the Dutch shipping company, soared by Fl 15.50, or 9.5 per cent, to Fl 177.50 yesterday as the policy battle surrounding the financially troubled group fuelled heavy demand.

Norwegian and Swedish investors were said to be buying actively in the first couple of hours of trading when the price touched a high of Fl 185.50 before profit-taking later eased the price.

Mr Torstein Hagen, the Norwegian shipper who is challenging Nedlloyd's corporate policies, said yesterday that he was "not buying and not selling" shares in the group. Mr Hagen, with the financial help of four other Norwegian companies, has already bought 5 per cent of Nedlloyd's shares and options for a further 5 per cent. He has publicly stated his intention of turning around the troubled shipper.

Other Nedlloyd buyers yesterday were believed to include US and Dutch institutions and players on the European Options Exchange.

Speculation abounds that Mr Hagen and Nedlloyd are each encouraging friendly investors to buy shares in the group before a crucial shareholders meeting on January 25, although there is no suggestion of shares being illegally bought in concert.

Shareholders will be asked at the meeting to approve a Fl 175m issue of cumulative preferred shares to be placed with a select group of Dutch financial institutions. Mr Hagen argues, however, that because the preferred shares would amount to more than half of the total share capital they would

CHEERED by Friday's US trade figures and the tonic they gave the dollar, most European markets rose sharply. Gains were restrained in some cases, however, by scepticism over the US currency's ability to sustain short-term gains.

FRANKFURT rose strongly on the crest of the dollar's strong gains led by demand from small domestic investors. Institutional and foreign investors held off until late in the session before many took profits.

The Commerzbank at mid-session was 61.9 up at 1,290.8, while the FAZ closing index rose 20.02, or nearly 5 per cent, to 422.45.

Insurers were to the fore as all sectors made good ground. Allianz led with a DM113 advance to DM1,229 - a 10 per cent rise. Aachener und Münchener jumped DM65 to DM755 and Münchener Rück added DM75 to DM1,800. Banks advanced broadly.

Car stocks brightened on the dollar's rise. BMW continued to benefit from strong interim figures to soar DM57, or 8 per cent, to DM502. Daimler climbed DM19 to DM573 and VW was up DM9.80 at DM214.80.

Chemicals saw similar gains. Schering leading with a DM29.50 advance to DM385 and Bayer and Hoechst rising DM10 and DM8.50 in turn to DM258 and DM247. Siemens, also responsive to shifts in the dollar, added DM13.50 to DM380.50 and Nixdorf was up DM12 to DM534.

Steel and engineering counters also rallied. Linde by DM14 to DM550 and MAN by DM8 to DM151.

London

A 1.1 per cent drop in UK retail sales last month disappointed the London equity market, where players were also taking a second, less enthusiastic look at the US trade figures.

After a firm start, share prices fell back to end only slightly higher on the day. The FT-SE 100 index was 3.3 up at 1,790.

Turnover was only moderate, but the underlying mood remained fairly confident.

Retailers, which are largely insulated from the dollar's movements, fell back. Lloyds led DM10.20 at DM352 and Kauthof DM6 to DM346.

ZURICH climbed strongly in modest trade, boosted both by the dollar and firmer overseas share markets.

Blue chips flourished. Ciba-Geigy added SF95 to SF2,540 as the chemical group denied it was interested in buying US group Pfizer. Hoffmann-La Roche "baby" stocks were SF475 higher at SF9,600 despite the group reporting a 1 per cent fall in 1987 sales. Sanofi was SF400 up at SF12,200.

In financials, Union Bank was SF95 stronger at SF3,115, while Credit Suisse made up lost SF2,450. Insurer Zurich added SF275 to SF5,175 and Swiss Re SF375 to SF12,000. Winterthur climbed SF200 to SF4,900.

MILAN picked up solidly in busy trade, but closed off the day's highs. The MIB index was 3.32 per cent higher at 1,022.

CIB, the De Benedetti family's industrial holding company, soared more than 11 per cent, or L340, to L3,700 after Mr Carlo De Benedetti's French investment arm Corus made an offer for 16 per cent of Belgian holding group Société Générale de Belgique. Cofide, the family's financial holding company rose L181 to L4,001.

Fiat climbed L330 to L9,555 and Montedison L52 to L1,327. AMSTERDAM was little changed in the absence of further market signals following Friday's US trade news. Caution over the longer-term outlook for the dollar also curbed enthusiasm. The CBS all-share index was steady at 71.8.

Nedlloyd rose a further Fl 15.50 to Fl 177.50 in continued takeover speculation, though its rise failed to spread through transport issues.

Blue chips were mixed. Royal Dutch added just 20 cents to Fl 209.70 and Alko losing Fl 1.50 to Fl93.30.

BRUSSELS bounded ahead in active trade in a session heavily delayed by technical hitches, which also prevented the release of closing market indicators.

Société Générale de Belgique's share, Réserve, which saw heavy buying last week, was suspended at the request of Belgium's finance minister as Italian financier Mr Carlo De Benedetti bid for a controlling stake in the group. Réserve closed on Friday at BFr3,250.

Solvay added BFr470 to BFr6,600 as chemicals marched ahead, while oil group Petrolina made up BFr500 to BFr9,200.

PARIS slumped to close near the day's lows in this trade clouded by caution over the outlook for the dollar and 1 1/2% stock prices. The share price indicator ended 1.8 per cent lower than Friday's close.

Matra shares were suspended at Friday's price of FFr1,465 as it was announced that privatisation of the arms-to-electronics group would resume today.

MADRID surged in a flood of buying on optimism following the US trade news. The general index added 11.86 to 249.17. Telefonica rose 7.7% percent-age points to 178.25 per cent of par.

OSLO solidly extended Friday's rally. The all-share index added 11.22 to 274.6.

STOCKHOLM rose as Friday's US trade news offset gloom over a strike by 50,000 white collar workers.

Turnover on the Zurich stock exchange hit a record last year despite the October crash, writes John Wicks in Zurich. Trading volume for securities dealings in the Zurich canton rose by 14 per cent over 1986 to SFr636.4bn (\$464bn). The number of bargains increased by nearly 23 per cent to 624,058.

The bourse authorities said in a statement that market capitalisation of the 295 Swiss shares listed in Zurich fell to SFr165.3bn at the end of last year. A year earlier, the capitalisation, involving 44 fewer shares, was SFr208.9bn.

ASIA

High-techs lead sizable advance

Tokyo

THE unexpectedly low US trade deficit for November and the dollar's subsequent rebound encouraged buying in Tokyo yesterday, giving the Nikkei average a sizable boost, writes Shigeo Nishiwaki of Jiji Press.

The 225-issue market indicator chalked up a 538 gain at one stage from the last trading day on January 14, but fell back to finish 306.55 higher at 22,910.20 on turnover of 613m shares, up from 482m.

The index saw-sawed, with the day's high at 23,141.29 and its low at 22,525.33. Gains far outnumbered losses by 728 to 191, with 116 issues unchanged.

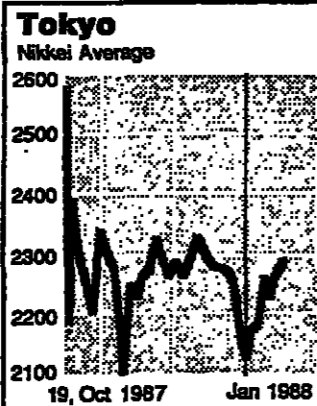
The Nikkei, after recovering 23,000 for the first time in a month, fell later as investors took profits in the afternoon. However, the institutional investors who hold the key to the market's vitality stayed mostly on the sidelines.

Investors, who had been nervous about November's US trade figures before last week's three-day holiday, bought across the market.

Sumitomo Chemical advanced Y32 to Y1,010, matching last October's all-time high, on the day's heaviest turnover of 75.62m shares. Institutional interest renewed in the company's efforts to develop a drug against AIDS. The issue touched Y1,020 at one stage.

Interest was particularly strong in high-techs. Fujitsu's second burst with trade of 35.3m shares, climbed Y50 to Y1,490. Hitachi rose Y50 to Y1,310 and Toshiba Y38 to Y679, while NEC closed Y90 higher at Y2,140 and Matsushita Electric Industrial Y90 up at Y2,350.

Nippon Telegraph and Telephone (NTT) finished Y40,000



Tokyo Nikkei Average

higher at Y2.25m after jumping Y120,000.

Large-capital issues firmed, with Nippon Steel adding Y3 to Y382 and Kawasaki Steel Y10 to Y339. Financial stocks also gained ground, though in low trading volume. Tokio Marine and Fire Insurance climbed Y60 to Y1,760 and Nomura Securities Y80 to Y3,020.

Consumer stocks lost much of their morning gains. Tokyo Electric Power reached Y5,000 at one point, but closed at Y4,890, up Y10, while Mitsubishi Estate ended Y30 higher at Y1,640 after registering a Y90 gain to Y1,700.

Trading companies showed similar moves, with Mitsui finishing at Y665, up Y1, and Mitsubishi at Y1,030, up Y10.

Trading was active on the bond market and prices dipped only slightly despite the sharp improvement in the US trade deficit and the dollar's rise against the yen.

Dealer buying was encouraged by the promise of good supply in the market in the near term and expectations that the Bank of Japan will work to guide shorter-term interest rates lower following Prime Minister Mr Noboru Takeshita's talks

Singapore

INSTITUTIONS and individuals piled into the Singapore market as the US trade figures released pent-up energy, driving the Straits Times industrial index up 47.79, or 5.5 per cent, to 917.59. Turnover rose sharply, too, to 60m shares, up 29m from Friday.

Some blue chips strode ahead, including DBS, up 50 cents at S\$10.10, and Singapore Airlines, also 50 cents higher at S\$9.95.

Among the lower-priced stocks, City Developments again attracted attention, adding 22 cents to S\$2.70 on 2.4m shares.

Australia

INDUSTRIALS led solid gains in Sydney although the reaction to the US November trade deficit was more muted than elsewhere in moderate trading volume.

The All Ordinaries index rose 15.3 to 293.9, with banks, media stocks, and construction and transport the main focus.

National Australia Bank put on 20 cents to A\$4.40, while News Corp added 40 cents to A\$12.50 and transport group TNT 15 cents to A\$4.15.

Industrial Equity jumped 9 cents to A\$1.68 amid speculation that it might launch a counter-bid for miner Peoko-Wallace, currently under an offer from North Broken Hill, up 10 cents at A\$2.70. Peko was steady at A\$7.50.

Thai shares soared, with the Securities Exchange of Thailand index climbing 23.05, or 7.4 per cent, to S\$4.98.

Other stocks fell back from recent record heights on nervous profit-taking. The composite index lost 15.17 to S\$74.49.

Hong Kong

THE US trade figures produced a delighted response in Hong Kong, with foreign demand helping to push the Hang Seng index 82.42, or 3.4 per cent, higher to 2,512.19.

In much heavier turnover worth HK\$1.24bn compared to only HK\$448m last Friday, shares saw their sharp early gains trimmed by late profit-taking.

The dollar's rise and low domestic interest rates helped to boost sentiment.

Among strong properties, Cheung Kong added 36 cents to HK\$7.30, Sun Hung Kai 46 cents to HK\$9.20 and Hongkong Land 25 cents to HK\$7.76.

Elsewhere among blue chips, HK Bank gained 20 cents to HK\$7.50, Hang Seng Bank HK\$1.25 to HK\$4.29, Swiss Pacific "A" 80 cents to HK\$16.70 and China Light 40 cents to HK\$19.

SOUTH AFRICA

A STEEP fall in the financial rand to around 31% US cents helped to offset the lower bullion price and buoy shares in Johannesburg.

The currency, through which foreigners invest in South Africa, had risen on Friday to 33% US cents amid hopes that a statement by Finance Minister MrBarend du Plessis would bring good news.

In the event, he announced that foreign creditors could now use funds previously frozen under a debt moratorium to buy equity or property and the rand gave up its gains.

In cautious trading, gold shares ended slightly higher on balance, with Val Beets Firming R6.50 to R326.50 and Esbury up 25 cents at R9.75. However, Freegold was 50 cents easier at R27.

Diamond stock De Beers added R1.50 to R30.75, and mining house Anglo American was up 25 cents at R50.75 while Gencor gained 50 cents to R49.50.

Steel and engineering counters also rallied. Linde by R21.50 and SA Breweries gaining 80 cents to R18.

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FT - ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Monday January 28 1988, Friday January 25 1988, and Dollar Index. Rows list various countries and their stock indices.

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 113.037 (US \$ index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987